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ETHICAL TRAINING IN THE PUBLIC SCHOOLS.

The moral or ethical training of children is always an important matter from a pedagogical standpoint, but the question of the moral training of children in the public schools of the United States now threatens to pass from the hands of the pedagogue to those of the politician. The situation in brief is as follows: All taxpayers must, by law, contribute to the support of the public school, yet an active and influential element in several religious bodies protests against the present position of the public school in regard to moral and religious instruction to the extent of supporting their own schools at their own expense, though taxed at the same time to support state schools. To sustain the inevitable steady opposition of these large bodies of citizens, as well as to overcome the equally earnest, though less determined, opposition of those who deem essential the public reading of the Scriptures, or the singing of sacred songs, the public school must deserve and win the

confidence of a large working majority of the people. This it can not do solely on the ground of the excellence of its intellectual training. It must show itself to be morally sound and substantially Christian. It must not and will not permit itself to be used as a medium for inculcating catechisms by churchmen or laymen, for this would involve its destruction. But its ethical training must be positive and effective, even though informal. The great public see the necessity of leaving to the church those phases of religious doctrine that pertain to authoritative teachings about God and the future life, but they will not excuse the schools from training children in those phases of religious truth that pertain to the relations that should exist between man and man, or between the individual and the various institutions of society.

It is the chief purpose of this paper to find within the available resources of the public school a basis for the best possible moral training that can be given in a non-sectarian institution. With this general purpose in view, I invite the attention of the reader, first, to a valid and essential distinction in morality.

On one side morality is subjective and individual, while on the other it is objective and universal. Man may, on the one hand, be viewed in his relation to himself. Conscience is then the supreme question, and a man does right in obeying his conscience, no matter how irrational or self-destructive his deed may be when judged by institutional standards. "As a man thinketh in his heart, so is he." Or, on the other hand, one may view man in his relation to his fellows, and the written or unwritten laws lying at the foundation of all forms of social life become the guide to conduct. "As a man sows so shall he reap." In this objective view of morality man is not only held responsible for his intentions, but also for his deeds. The subjective side of morality is peculiarly the province of the church, the objective of the state. Religion may promise release from penalty upon change of disposition merely, but the

state must make evil deeds return upon the doer, whether he repents or not. This is the fundamental reason for the separation of church and state.

It is to the first of these moral phases that we have hitherto devoted most care in the schools. We have sought to bring about that state of inner freedom that always ensues when volition and judgment agree. We have tried to make the conscience tender, and imperative in its demands. In doing this we have done well, but we have not done everything. It is conceivable that even the Spanish Inquisitors may have regarded themselves as the instruments of Divine will, and consequently have enjoyed the rewards of obedience to conscience. In other words, a subjective standard may, in the eyes of other men or other times, become a monstrous one. It is not to be implicitly trusted, for it is a formal principle only, having no necessary content.

Plainly, then, we have a double task. We must not only make obedience to conscience the supreme law of the soul, but we must impart to the child those ethical ideals that form the content of the highest morality. The problem of the teacher, then, is to reveal the ethical duty of man to man, and to find adequate means for inducing the youthful will to live in accordance with this ethical order, and to submit itself freely to the system of laws revealed in our various institutions; or, in other words, to bring about a permanent harmony between the individual, subjective disposition of the heart, and the laws that condition the stability and progress of human society.

Just as there are two phases of morality, so there are two kinds of moral training;—one hard, stern and rigid, having its basis in abstract right, and unwarmed by any glow of sympathetic feeling; the other combining all the authority of conscience with a glowing disposition for the right. The former method reaches the will through the exercise of dogmatic authority backed up by the fear of punishment. The latter seeks first to reach the heart of the child by revealing something of the inherent beauty and loveliness of

the right as contrasted with the equally inherent ugliness of wrong ; and then to secure ultimate stability of character by using all proper means to build up habits of right action. In other words, it tries to interest the child in the actual ethical content of objective morality, hoping in this way to enlist his disposition in favor of right moral action. What the schools appear to need, then, if they are not to have direct religious instruction, is something that has the same essential content in forms capable of arousing the spontaneous attention and permanent interest of the children. Interest of this sort naturally culminates in desire and motive, so that if we can awaken this interest in that which is rich in ethical content, we shall have no difficulty in developing the right sort of disposition in the children. When this is done the problem of securing habitual right action is greatly simplified.

From the foregoing, it would seem that the teacher has a three-fold problem before him : first, to discover what are the fundamental ethical ideas or ideals ; second, to find the available forms in which they are embodied ; and third, to devise the best pedagogical means for utilizing them in moral training.

Turning now to the field where man must utter himself in his ethical relation to others, we come to four great ideas that lie at the basis of all modern social and economic life.

1. It is the natural impulse of each individual to make himself the end and centre of all that he comes in contact with, to make himself the master to which everything else must be subordinate. This is a natural impulse because each self is in reality the centre to which all its own mental experiences must be related. But this same experience soon teaches him that there are other selves, with claims equal to his own, and that if he would have his own self-hood respected, he must respect that of others. There thus arises practically in the world the idea that Christianity calls *good will*. It is that state of mind in which the validity of a foreign *ego* is recognized, or in which the good of another is

willed as if for self. Its opposite is ill-will, a feeling whose impulse is to injure or destroy or subordinate a foreign *ego*. Good-will is the key to a long list of virtues, such as kindness, benevolence, charity, fidelity, goodness, generosity; while its opposite, ill-will, gives rise to an equally extended list of faults.

2. The second idea comes to light when two individuals strive for the possession of that which, in the nature of the case, only one of them can have. It is the idea of *rights*, which lies at the basis of most of our laws regarding property. A large part of the judicial system of every country is devoted to the securing of justice in the acquisition, possession and disposition of wealth.

3. The third idea is that of requital for good or bad actions, and it demands that the requital shall be adequate to the deed. This idea is the basis of the system of rewards, and especially of punishments, that society has gradually evolved. Institutionalism takes the requital of evil deeds out of the hands of the injured person, and places it in those of the state. The effect is to ward off from others the blow of the evil-doer, making it return upon his own head. This conception is expressed in Michael Angelo's *Last Judgment*, where each shows by his looks that he is but facing the results of his own deeds, which carry their own requital with them.

4. The fourth idea arises from the necessary constitution of society, in which each individual is compelled to enter into combination with his fellows in order to realize his greatest possibilities in economic thrift and rational freedom. It is known as the doctrine of service, in which he serves himself best who best serves others. This principle is not only valid as a desirable moral rule, but it has also a certain business and economic validity quite independent of sentiment. The most successful merchant, other things being equal, is the one who best succeeds in making the public believe that he can serve them better than others. The people may, indeed, be deceived, but it is only to the extent

of their folly that he can successfully depart from the principle. As a religious idea, this thought holds a supreme place. "For whosoever will save his life shall lose it: and whosoever will lose his life for my sake shall find it." "But whosoever will be great among you, let him be your minister; and whosoever will be chief among you, let him be your servant."

These four ideas reveal the fundamental ethical relations that must exist among the members of a complicated social organism. They are of the very essence of institutionalism, and any violation of their unswerving imperatives carries in itself the seeds of its own punishment. Modern practical Christianity is the realization of these ideals in the world, and it is because this is the truth that modern religious bodies respond so feebly to efforts to carry religion back into the field of abstract dogmas. In these days, faith can not be separated from works.

Along with these four fundamental ideas, embodying the content of morality, there are two others, which, though formal in character, are of the utmost importance to the individual. They pertain to the subjective, or individual, side of man, already mentioned.

1. The first may be called the Idea of Inner Freedom. It is the peace, or harmony, that dwells in the soul of man when his conscience is at rest, when his volition has conformed to the demands of his intelligence, or when his will and his judgment are in accord. A man who has deliberately acted in accordance with his firm belief as to what is right is subjectively free. His conscience approves, and he is at peace with himself, even though at war with the rest of the world. The teacher rightly tries to cultivate the conscientious spirit, but it is no less his duty to inform the judgment regarding the objective ethical relations that are valid in the world, and to enlist the interests and affections of the mind in their behalf.

2. The second formal moral ideal is that of Efficiency of Will. It implies, first, a certain positive force of determi-

nation and vigor of execution. Everybody knows what a weak will is, and how hopeless is the case of the man who can not be counted upon to reduce his good resolutions to concrete practice. The efficient will is the strong will. But it is more. It must, also, be reasonably concentrated in its action; that is, it must make all its efforts work together for the accomplishment of leading purposes. All this, however, is purely formal, and holds of evil as well as good men. No man can be *positively* bad whose will is not strong and concentrated. A truly efficient will, however, must be consistent in its main lines of action, and to be consistent it must be right, for deeds that are consistently evil are wholly self-destructive in the end, whilst there can be no idea of really efficient volitional life where one action contradicts its fellow, as must be the case where one's deeds are partly right and partly wrong. It appears to follow, therefore, that to be truly efficient one's will must be strong, concentrated, and consistent with the real ethical order of the world. But even granting that a will can not be efficient which is not rightly directed, the fact still remains that this principle is purely formal, since it throws no light on what is right or wrong.

We seem now to have found the basal ideas of an ethical system. Four are concrete and two are formal. The forms must not remain empty, but must be filled with the true ethical content. This content, moreover, must not be presented in abstract or generalized form, but must be capable at all points of reaching the understanding and interest of the child. Rules of conduct, therefore, however excellent in themselves, have but little effect on the young. Here we come upon the pedagogical problem again.

Having learned what the fundamental ethical ideas of the world are, we may discuss briefly the conditions under which they may be made valid to children and the various forms in which they are embodied.

It may, in the first place, be remarked that all progress in civilization is but the progress that men in their collective

capacity have made in discovering and embodying in laws and customs the real meaning and force of the concrete ethical principles that have been described.

As the years have passed, each new insight into freedom and economic welfare has sooner or later become embodied in some institution of family, school, church, state or business world. This process has often gone on but slowly when men have become enslaved in political and economic life, but now that all civilization has become so largely democratic, every new revelation of a practicable advance in the realization of ethical ideals has a good chance of becoming embodied in law. We may, therefore, regard our whole legislative machinery as a means for recording the advancing ethical education of the people. It is also true that life under institutional forms is a practical education in the ethical ideals. Even if good-will is not especially enjoined by law, the manifestation of its opposite, ill-will, is prohibited and punished. If one would learn definitely that his neighbor has rights, let him violate a few of them, and the institution of government will give him the information in such a way that he will not soon forget it. In the same way, the law soon teaches man that evil deeds, at least, meet with an adequate requital; that curses, like chickens, come home to roost. In a dim way, perhaps, all the institutions pertaining to business life teach also that we are best served through our own rendering of service. On account of these facts, therefore, any life under institutional forms is an ethical education. Conformity to the rules of the family, the school, the church, the state, the business world, is a practical education in morality that we can not spare. But, however excellent and indispensable this training may be, it is not entirely adequate to our needs. Men are continually tried by our courts, prisoners are perpetually led to jail, the prisons are always full, the gallows never without a victim. People are eternally suffering and even perishing under the requital of their unethical deeds, men are eternally going to the wall, financially, because they

lack the will or the ability to seek the advancement of themselves through the advancement of others. Real altruism is foreign to their knowledge or their dispositions.

The school must help out the other institutions and prevent the present immense waste of human welfare and happiness, by anticipating it, by enabling the child to master himself in thought, and experience ideally what the headstrong, untutored soul must experience really.

In the impressionable years of childhood and youth, while the heart is tender, the imagination vivid, and the apprehension quick, it is possible so to enlist these faculties that the moral victory may be won before the real battle is fought. We do not hesitate to have the child enter into the inheritance that the past has left us in knowledge. No child is asked to start a thousand years behind his time in any great field of human endeavor. Our children now accept the electric light as freely as our grandfathers did the oil lamp or the tallow candle. The same is true in every realm of science and practical life. We seize the advantage gained, and go on to new conquests. Why should it be otherwise in the moral world? Why may not the bitter lessons of the past in the struggle with ethical principles be turned quite as fully to account as the results in the intellectual world? What a weary round of scourgings the race has gone through to arrive at its present state of material, political and ethical freedom! The child is born now, as ever, with all his experiences before him. Must he, for lack of proper education, tread again the thorny path of his race? We do not ask it with regard to his material or intellectual welfare. Why should we with the moral?

Of all the four great ethical ideas, that of requital for our deeds comes home to us with most force, for it is a consequent of which each of the others may be an antecedent. What is the effect of good-will as practically shown? Does not the requital for ill-will return on our own heads, so that, when we are spiting another, we are biting off our own nose? What is the effect of recognizing or violating the rights of

another? of striving to get by giving, and not by stealing? It is, therefore, through the portrayal of requitals that we shall most easily approach the understanding of the child.

We must not, however, in examining these considerations, allow ourselves to forget that the second part of our problem is to discover the forms most available for educational purposes in which these ethical ideals are embodied. Evidently, we shall have our labor for our pains if we search for the embodiment of ethical truths in nature or in natural science, for, as Kant says, it is only the *will* that can be morally good or bad. Only to the extent that all intellectual truth has a bearing on moral truth does natural science have any bearing on ethics. It is, doubtless, a fact that the scientist's passion for the truths of nature, in themselves morally indifferent, may lead to a like reverence for the truths of morality. To this extent only does natural science help moral education. Since, then, ethical relations arise directly from the human will, we must, for the most part, look for their embodiment in that which records in some way the deeds of men.

In its material manifestations, the will of man records itself in material forms upon the face of the earth, in cultivated fields, magnificent cities, stately ships, thundering trains. It finds an expression in the daily toil of millions. On its spiritual side, human will expresses and embodies itself in institutions, such as family, school, church, business and state. History records their growth, and daily life shows their operation. Literature shows the operation of institutions in ideal form. Our chief duty now lies in examining the various spiritual and material manifestations of human will, and in estimating their worth in the moral education of the young.

It is to history that we most naturally turn, for this is the record of man's will in action. It has taken thousands of years for the world to reach its present state of civilization, or, what is the same thing, to embody in its institutions the modern insight into true ethical principles. The millennium

is not yet reached, so that this process is an unceasing one. At every advancing stage there has been a vast inertia of existing forms and customs to overcome—there has always been a conflict between conscience and constitution. One party stands by the law as it is; the other struggles for the law as it should be. This gives rise to an unending struggle, which, in the past, has usually taken on the form of wars and revolutions. History, therefore, portrays the eternal strife of man in his progress toward national freedom, or toward that state of institutionalism in which there is the highest possible embodiment of self-consistent ethical principles. We read of this struggle in the history of the church, the school, the nation, and the economic world. We see the sway of tyranny, or nationalized ill-will, and the retribution that sooner or later comes to every tyrant; we trace the efforts of Spain to enrich herself at the expense of others, the attempts of the church to enchain the conscience of man for her own aggrandizement, and we see in every case that retribution has followed, that a wrong ethical principle works out in the end its own destruction. The highest function of history is, therefore, an ethical one. It portrays the ultimate consequences of man's volition on a large scale. It shows, for instance, that national ill-will toward a class carries in itself a punishment that lasts for many generations. The persecution and banishment of the Huguenots in France and the enslavement of the African in America are illustrations. So far as history can be truly interpreted, it is a potent means of giving the young correct ideas of ethical principles, and of enlisting their dispositions on the side of right.

But the ethics of history may become, through misinterpretation, a two-edged sword. The closer we come to our own times the greater becomes the danger of mistake in ethical judgment. Our late war is a case in hand. Most people at the North believe that the rebellion was wrong,—a monstrous iniquity,—while we have evidence that large numbers at the South believe that their cause, though lost,

was just. To many it is a sphinx's riddle to this day to know which was the ethical hero, Grant or Lee, while some appear to think that both were right. If the judgment of adults is subject to such vacillation and contradiction in the ethical bearing of historical events, what can we expect of the young? Not being able to disengage the tangled skeins of right and wrong, their judgment settles into unthinking partisanship. They are now ready to applaud any cause, however iniquitous, if "our side" but approve it. This kind of an ethical education fits men to become the slaves of party, hence the tools of knaves. It would seem, therefore, that for all except men of trained judgment, the ethical lessons of history cannot be clearly perceived. The mind of youth does not seem capable of deducing clearly the more important lessons of history. Centuries often stand between a deed and its ultimate consequences, or requital. There is too much of misleading pomp and circumstance, the lapse of time is too great, the component factors too numerous and too complex for the youthful mind to disentangle the right from the wrong, and to see the end from the beginning. It is only in the carefully edited song and story, biography and memoir, that the child may be led to apprehend something of the ethical mission of history.

But even if history, as presented in our text-books, is an uncertain quantity as regards its usefulness for ethical teaching, the resources of the school are not yet exhausted, for we have this ethical content embodied in the idealized and purified forms of literature, and in the busy daily life of the economic and political world. The ideal and the real should touch each other constantly in education. The real without the ideal renders life prosy and commonplace, while the ideal without the real makes it a dream. It is to the ideal embodiment of ethical content in literature that we shall first address ourselves.

As before remarked, it is not on the pages of history alone that man has recorded the actions originating in his own spirit. The same record in idealized form is found in im-

aginative and dramatic literature. Mythology is only idealized history, while legends, folklore, fairy tales, and dramas are all freighted with the same ethical lessons that are involved in history—the blessings of good-will and justice, fair requital and honest service, and the curse of ill-will, injustice, failure of requital or service; the inevitable return of the deed upon the doer; the moral destruction of those who will not repent of evil deeds, and the punishment of those who do not make restitution for wrong done; the moral salvation of those who do the good, or who undo their evil deeds by repentance and restitution; the moral grandeur of those who obey the law of conscience with unswerving determination. There is not a phase of virtue or its opposite that is not embodied in a thousand forms in classic literature both for young and old.

Unimaginative thought is inclined to deny that any such content is to be found in literature, or, if there, that it can be of any practical utility in the moral education of the young. People of this manner of thinking see no truth in anything not strictly material fact. The Bible story of the traveller on the Jericho road is to them a baseless fabrication if the incident did not actually happen. They have no patience with the ideal in art, for the ideal is never a concrete individual fact. The sublimest ethical truths are mere moonshine and vain imaginings if they chance to be clothed in the garb of fancy. But it is not to this dry and hard materialism, this insensibility to the truth that is not seen and touched, that this part of the present paper is directed. The argument is meant to reach those who can recognize a truth when not dressed in homespun, who see that the imagination makes man free, in that it enables him to break the bonds of a material servitude, by making it possible for him ideally to pass through the experience of the race, learning the lesson that the original experience taught, but without suffering the pain that it cost.

The criminal world is such, largely because it has not imagination enough to see the inevitable consequences of its

deeds. Even the severest punishments do not deter men from crime who have already passed the imaginative period of youth and have entered into a realm of thought in which crime is possible. The hard lines of the "practical," materialistic education demanded by so many of the present day leave no room for a culture of the humanistic feelings; for a development of those high ideals of life and duty that can originate only in a refined imagination, or of that constructive imagination that enables the youth to see a deed, not only in its sensuous attractiveness, but also in its ultimate consequences.

✓ We may turn with confidence, therefore, to the realm of imaginative and dramatic literature, assured that we shall find there the ruling ethical ideals of the world, embodied in such a form as will guide the imagination and hold the interest of the young. No one who has thoughtfully read the world's masterpieces of dramatic literature can doubt their ethical content or deny their influence upon the mind capable of understanding them. Shakespeare is our great ✓ institutional dramatist. What the legislator writes in the book of laws, he embodies in the literary forms of art. Each of his dramas opens with an offense against the ethical order as embodied in some institution. Lear shows the disease of absolute authority reacting on family and state. Gloucester sins against the family in having an illegitimate son. Macbeth's great deed fits him for the wrong against his king and country; in "As You Like It" Duke Frederick and Oliver are both usurpers, one wronging the state and both the family, and so on throughout the list. Every play moves on from the initial wrong to its culmination, when the world begins to purge itself of the unethical condition of things. This is done in the tragedies by the destruction of the offenders, and in the comedies by their repentance and restitution. In the former, the offender becomes tragic, not merely because he is punished for a crime, but because he has not had the wisdom or the strength to choose the higher of two contradictory principles, both of which are

valid within their own proper range of application. Thus to cherish and defend one's own state is right and commendable, but to do so when a higher duty calls one at the same time to cherish and defend the whole nation, even at the expense of the state, furnishes the material for a tragedy. These tragedies also teach us that it is possible so to offend against institutions that it is impossible to escape the consequences of our deeds, even though the most abject contrition should seize the heart. It is quite possible for men to commit the unpardonable sin against law. On the other hand, the comedies show us the possibility of mediation when our deeds have not gone so far that repentance and restitution are useless or impossible. Antonio is a violator of the Christian principle of charity or good-will, and falls consequently under the hatred and into the clutches of the Jew; while Shylock, by education and ill treatment, would vent his ill-will against the Christian, even to the extent of taking his life. Yet both repent and cancel their evil deeds, through the mediatory efforts of Portia.

Similarly, Dante's *Divine Comedy* is but a picture of human life. A man is in the *Inferno* when ruled by his animal nature, when he denies the validity of good-will, justice, fair requital, service. He is in the *Purgatorio* when he is purging himself of his stains and burning them out by resisting temptation. He is in the *Paradiso* when he has come to stand in right ethical relations to his fellows in the institutional life. Faust, too, goes through his struggle with evil in the form of the modern devil, a devil devoid of horns and tail, indeed, but without any diminution of the traditional Satanic virtues. What is Homer but a more boyish exposition of this same eternal struggle in which the race has ever been plunged? The opening is the same:—"I sing the wrath of Peleus' son," says the poet. But the wrath of Peleus' son, like that of other sons, soon passes its proper limits. Homer tells of the wrong done by Agamemnon, king of men; the unreasoning rage of Achilles, which passes from just indignation to irrational hate;

the return of his deed upon himself in the death of his friend Patroclus, and in his own diminished importance. Here is the same lesson coming to us from the boyhood of the race. But the Iliad and Odyssey are themselves based upon legends and myths of gods and men, which still bear the story of the struggle of man in his efforts to be free. They are, as Dr. Harris says, the transfigured history of the race, and in them the experience of the race is embodied.

It is, however, a somewhat serious task to distinguish between the literature that is *childlike* and that which is *childish*. Nothing could be more insipid than the manufactured juvenile literature that crowds the modern press. As Rosenkranz says, the best literature for children from their seventh to their fourteenth year consists of that which is honored by nations and the world at large. This is literature that has grown out of the experience of the race when in its earlier or more childlike stage. It always appeals to childhood, for it is in the *naïve* form that children can always understand. The enduring early literature of every nation has thus a charm and value that never grow old. We have a living example of this in the stories of the Old Testament up to the separation of Judah and Israel. Rosenkranz remarks: "These patriarchs, with their wives and daughters, these judges and prophets, these kings and priests, are by no means ideals of virtue from the standpoint of our modern lifeless morality, which would smooth out of its model-stories for the dear children everything that is hard and uncouth. For the very reason that the shadow side is not wanting here, and that we find envy, vanity, evil desire, ingratitude, craftiness, and deceit among these fathers of the race and leaders of God's chosen people, have these stories so great an educational value."\* I quote also Dr. Harris, in the same volume:† "Every child should read as indispensable the stock of stories which furnish general types of character and situation. 'Robinson Crusoe,' 'Gulliver's

\* Philosophy of Education, p. 84.

† Ibid., pp. 85-6.

Travels,' 'Don Quixote,' the 'Arabian Nights' (Hale's Edition, published by Ginn & Co.), Plutarch's 'Lives,' Homer's 'Iliad' and 'Odyssey,' and the dramas of Shakespeare should be read sooner or later; earlier than these the old English stories and fairy-tales, and even 'Mother Goose's Melodies.' A scale thus ascending from the earth to the fixed stars of genius furnishes pictures of human life of all degrees of concreteness. The meagre and abstract outline is given in the nursery tale, and the deep, comprehensive grasp is found in Shakespeare. The summation of the events of life in 'Solomon Grundy' has been compared to the epitome furnished by Shakespeare in the 'Seven Ages,' and the disastrous voyage of the 'Three Men of Gotham' is made a universal type of human disaster arising from rash adventure."

These are but hints of literature that is valuable in its ethical content, but with these ideas for a guide one may take Mary E. Burt's "Literary Landmarks," and select from it a full course of literature from the Kindergarten to the High School, both for reading and other use in the school-room.

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Besides this ideal presentation of ethical content in imaginative and dramatic literature, we have in the bustling daily life about us a perpetual illustration of ethical or unethical principles reduced to concrete practice. Benevolence and malevolence, justice and injustice, requital of good and bad deeds, public and private service to others, are illustrated before our very eyes every day, so that the thoughtful teacher needs but to induce his pupils to look about them in order to bring the most powerful reinforcement to what they have learned and felt as they viewed the world in the magic mirror of literature.

The economic world busies itself with getting a living, with the production and use of wealth, and in these activities men reveal very clearly the ethical forces that govern their action. Moralists have not always recognized the function

of the intellect in our volitional and ethical life, and we must pause a moment to draw a corollary from the ethical principles already evolved. We have seen that, on its objective side, morality has a validity independent of subjective disposition, for men are held responsible for their deeds quite irrespective of any contrition they may feel after the deeds are done. If a man is imprudent or foolish, he must suffer the consequences of his folly, however pure his intentions. This truth is fully recognized in the *Divine Comedy*, for after entering the gate of the *Inferno* the guide speaks as follows:

"We to the place have come, where I have told thee  
Thou shalt behold the people dolorous,  
Who have foregone the good of intellect."

- ✓ Inspection leads us to conclude that most social evils arise because men have forgone the good of intellect—from improvidence in caring for the means of producing wealth as well as foolish waste in its use. It is no uncommon sight in the country to see the plows rusting in the fence-corners, the harvesters rotting under leaky sheds or in the open air, or used as chicken-roosts; to see fences falling into ruins, barns tumbling down, exposing stock to the inclemency of the weather; to find houses with leaky roofs, smoky chimneys, paintless weather-boarding, broken windows and crumbling walls. Within such tenements we find listless men, sad-eyed women and ragged, unkempt children. Town and city life present their counterparts to these scenes. Folly and ignorance also rival each other in the squandering and unwise use of hard-earned means. The material starting-
- ✓ point of a sound ethical life lies in giving the children something of an insight into prudence in gaining and using wealth, in care for tools and clothing, in cultivating cleanliness, neatness, economy; for slovenliness, filth and general improvidence are utterly incompatible with any considerable development of moral excellence. It would be an
- ↓ easy and natural transition from the reading of *Robinson Crusoe*, which is an ideal picture of the development of man

in his struggle to create and use the means of economic production, to the production, use and proper care of the various implements for gaining wealth.

When we come to the ethical ideas that fall under the general category of good-will, such as benevolence, kindness, charity, we shall find a rich and varied embodiment of them in practical life. Thirty years or more ago, a Pennsylvania man named Jesse W. Fell, came to the spot that is now Normal, Illinois, then a treeless plain. Beneficence with him took the form of tree planting, and he saw to it that every street in the town was abundantly supplied with trees. This was before the days of real estate "booming," so that what Mr. Fell did was not speculation, but missionary work. Long before he died the town had become what it always will remain, an undying monument to his honor. Every neighborhood can match this deed in some form of public service, made at a time when most needed and least attainable through the ordinary channels.

Before the days of lighthouses, men used to keep fires burning on the shore to warn sailors of dangerous points, or to guide them into the harbor; others would build roads or bridges; still others set an example to a whole neighborhood by keeping their fences in repair, by mowing the weeds along the roadside. Near Swarthmore is an old stone bridge bearing an inscription saying that it was erected in 1811, for the benefit of the public. It is over a deep, and otherwise almost impassable gully.

In those days, probably no form of public beneficence was more needed, both for convenience and for establishing an ideal of highway improvement in the minds of the public. Similarly in the west, where mud is plenty and stone is scarce, farmers here and there living near gravel banks have gravelled short stretches of bad road. The public are learning the lesson and now hundreds of miles of gravelled road are being laid at public expense all over the country. These are but humble examples of what timely beneficence

on the part of individuals has been able to accomplish. On every hand we find parks, roads, bridges, monuments, schools, hospitals, and splendid educational institutions that owe their origin to individual bounty. Daily observation and the daily press will record countless examples of gratuitous benefits to society.

In similar way the great virtue of justice between man and man may be exemplified in a thousand ways by the daily experience of any country village or community, while the requital that comes from infractions of the rules of justice may be amply viewed in any police court, and reinforced by the newspapers.

The greatest idea of modern civilization is that of service to self through service to others. Each contributes his mite to the good of all and gets it back vastly multiplied. Coöperation is the method of civilization. It is this fact that saves mankind from becoming a horde of hungry beasts all competing for the same morsel of food. It is also the central thought of the Christian religion. Service is the watchword of the Master. We should have little patience with the idea that a man can serve his fellows only as he gives up voluntarily a part or the whole of what he has accumulated by prudence and self-denial. He serves them truly in every piece of honest work he does. We sometimes complain that our railroad magnates accumulate great wealth, but what are the most magnificent private fortunes ever amassed in comparison with the vast service these road builders have rendered the country by opening it up to settlement everywhere, by developing its boundless resources, by bringing a market to every door, in short by rendering coöperation possible among a great people. We must show our children that service to others is the key to true business success. It is only as the people are befooled that the commercial trickster can thrive, for the most certain way to get is to give, not to steal. To the extent of their knowledge, people buy of those who will give them the most value for their money. The child must have it indelibly

impressed upon his mind that the only way to enduring success in business is to work consistently, persistently, and continuously to serve others, and that sham and shoddy in business dealings is the road to ruin as well to shame.

In addition to the ethical relations that should exist between men as individuals, there is a set of larger and not less important ethical relations that should exist between the individual and bodies of men in their collective capacity, *i. e.*, between the individual and the various institutions of society, particularly the state.

As we have seen, dramatic literature portrays these relations ideally in tragedy and comedy, by showing that men attain real freedom only as they conform to the highest institutional organizations. In practice we enter these larger ethical fields when we begin to become conscious of our life as members of those various political organizations that we collectively call the state. The brother now becomes the citizen. No supporter of public education will question the propriety or need of training pupils of the public school in political ethics. A manifestation of this feeling is seen in the recent rage for the teaching of what is called patriotism, the most prominent instrumentalities for which appear to be a fife and drum and a flag. But however inadequate, not to say irrational, the popular ideals may be, the fact that there is such a movement indicates a general recognition of a real need.

Our main reliance heretofore for teaching political ethics has been the study of United States history, but for reasons already pointed out, this has proved ineffective. Not much insight into political duties, or much permanent disposition to do them, is cultivated by the ordinary school history, which consists of descriptions of conquests, campaigns and battles, together with brief and formal statements of their causes and results. A much more efficient method is to make a detailed study of the nearest and most obvious political forms under which we live. This study should embrace

the present facts and how they came to be. Children should be set to a study of the town, its origin, its methods of work, the rights and duties of citizens and officials. They should be led to investigate the subject of taxation, its purpose, its rightfulness, its methods, justice and injustice, its benefits and necessity; what rôle it has played in wars and revolutions, and what the rights and duties of citizens are concerning it. In similar ways students should make a detailed study of county, city and state; of written constitutions and of the organizations, rights, duties and privileges of political parties. This is the root out of which history must grow, if it is to have any ethical vitality.

Several works on civil government, recently produced in America, are admirably adapted for training pupils in political ethics. The exposition in the text is clear, interesting and genetic, while many of the questions and directions used in connection with the text could hardly be more suitable for a development of true political ethics had they been consciously framed for that purpose. Here, for example, are a few:—

- (1) Are there people who get no benefit from their payment of taxes?
- (2) Are the benefits in proportion to the amounts paid?
- (3) What had taxes to do with the French Revolution?
- (4) What had taxes to do with the American Revolution?
- (5) Is it a misuse of the funds of a city to provide for the Fourth of July celebration? To expend money in entertaining guests? To provide flowers, carriages, cigars, wines, etc., for guests?
- (6) What is meant by subordinating public office to private ends? Cite instances from history.
- (7) Has the state a right to direct the education of its youth? To assist private schools with public funds?
- (8) Are women who do not vote represented in town government? Are boys and girls?
- (9) Is lying a crime or a sin? May it ever be both?
- (10) Are courts of any benefit to the vast number who are never brought before them?
- (11) Is it always one's duty to keep out of court?

- (12) Should a serious disturbance break out in your town, whose duty would it be to quell it? Suppose this duty should prove too difficult to perform, then what?
- (13) Should a lady be insulted in your presence, what would you have a right to do? What would be your duty?

These questions, taken at random from hundreds of similar ones, show that the student is constantly facing his own inevitable ethical judgments concerning what a man ought to be and do in his relations to the public. The whole machinery of government, in its legislative, executive and judicial aspects, is examined under the electric light of ethical principles. The virtues, good-will, justice, requital and service are now applied practically in a larger field, but they are seen to be the same immutable principles, equally binding upon the humblest citizen and the greatest statesmen, not only in their daily walks among friends and neighbors, but also in their relations to the public, whether in the town meeting or in national halls.

Summing up the essential points of this paper in a word, we may say:—To the daily discipline of the school, both in intellectual study and in conduct, we must look for a development of a sensitive conscience and a vigorous volitional power; while literature and history, economics, and social and political science must, as the bearers of moral ideals, be our main reliance for guiding the disposition, firing the heart, and enlightening the moral understanding.

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## THE THEORY OF VALUE.

[A REPLY TO PROFESSOR MACVANE.]

This paper has been prepared with the view of replying to the objections raised by Professor Macvane\* to the theory of value advanced by the Austrian school of economists. I regret that his criticisms, although published nearly a year ago, have but recently come to my notice. They are directed chiefly against Böhm-Bawerk, and I shall therefore leave him to answer all such points as immediately concern him and confine myself to the relation between marginal utility and cost. The propositions of the Austrian school in question were first advanced by me, and I think I am therefore justified in taking part in the discussion so far as they are concerned. Although I have heretofore avoided every species of polemic with my critics, it is a pleasure to cross swords with so chivalrous an opponent as Professor Macvane, whose attack is so earnest that it must be parried, and whose bearing is so courteous as to raise great hopes of a calm and fruitful discussion.

Before beginning, however, I owe my readers the explanation that the simple reply, first intended by me, has finally developed into an extensive and independent essay. The roots of the theory of value reach out into the field of economic theory, and I believe that the discussion can be brought to a conclusion only by extending it to these ramifications. Professor Macvane will therefore pardon me for directing my polemic not only against him, but above all, against Ricardo, on whose economic conceptions he has based his arguments.

\* Böhm-Bawerk on Value and Wages, *Quarterly Journal of Economics*, Oct. 1890.

## I.

## THE ECONOMIC THEORY OF RICARDO.

## (1)

From the standpoint of Ricardo and his school, general economic conditions can best be presented by describing the economy of a hunter, or fisher, or some similar entirely primitive kind of production. Human labor and nothing more is expended to obtain "Commodities," *i. e.*, means for support and comfort. Economically, labor is measured by the effort involved, the commodities by their value and utility. Value, in the long run, determined by the amount of labor expended, provisionally, by the fluctuations of supply and demand affecting the utility. The products and their value determine the reward of labor (the income) which, like value, has a theory of its own.

Not only the primitive economy of the hunter but also the modern political economy in its full development is reduced to these simple elements. The richest means of production in land and capital, after all, signify nothing else but labor, and have their measure in personal effort, the value of products being ultimately determined by this effort. The theory of value is, however, limited to commodities, while, on the other hand, the theory of distribution is extended so as to include the relations of land and capital. At the same time, in discussing interest and rent (as in discussing the functions of capital, etc.), the simplicity of these economic principles is destroyed by a large number of resulting internal contradictions. Out of the conflict between the necessity of working and the dislike of work on account of the exertion required, arises the economic tendency to reduce as much as possible the necessary effort. This also explains the meaning of the economic balance-sheet. All its figures, however complicated they be, represent, as a rule, quantities of labor, or, more exactly, quantities of effort expended. In the long run the value of commodities is determined by the exertion which is saved owing to their existence. This determines the value cred-

ited to them on the economic balance sheet. Properly, wealth is labor saved.

- According to the Austrian school, the economic life results from a different conflict. It is the conflict between the abundance desired by man and the scanty means, continually liable to be reduced, offered for his satisfaction. The struggle against the "too little," the demand for "more" and "much" rears the economic structure. For what other reason should poverty be feared and wealth desired? Wealth is utility or satisfaction secured, poverty the want of it. It is characteristic that Ricardo admits the idea of scarcity in the case of a few commodities only, rarities of all kinds. Of the large number of commodities remaining he says expressly: "They may be multiplied . . . almost without any assignable limit, if we are disposed to bestow the labor necessary to obtain them." We, on the other hand, start with
- the supposition that only in a few cases abundance is secured, while in all other cases commodities are too scarce and production has its concrete limits. According to our view,
- utility is the purpose of economic life. Whatever increases utility has value, and as much value as utility is increased. Accordingly, not only commodities have value, but the means of production as well, if they secure products as articles of consumption which otherwise could not have been supplied. For their value is measured by the increase of utility obtained in this way. This is true of land, capital,
- and also of labor. Labor has value owing to what it produces and the greater value the more it produces.

- The definition of value as proposed by our school, is, therefore, comprehensive, since it includes not only commodities but the means of production as well. It is also monistic since it bases itself on utility alone and does not in a dualistic way refer now to utility and now to labor. In our opinion, the same law regulates the temporary fluctuations of value due to supply and demand and its normal level. It is true that cost also exercises an influence on value. There is nothing however in cost which demands a

peculiar explanation. The law of cost is but a special modification of the general law of value based upon "marginal utility."

It is beyond my present purpose to show that we intend to give greater extension and uniformity to the theory of value in another direction, by trying to combine the ideas of value in exchange and value in use.

The opinion which Professor Macvane expresses in regard to our theory is, notwithstanding his complimentary tone, highly unfavorable. He denies that it presents "a fundamental law of value," and thinks it, at best, a new and "less convenient" form of the familiar principle of demand and supply. In his view we only make some contributions to the explanation of the fluctuations of value which follow utility through supply and demand, but nothing to the "broad and permanent features" of value as determined by labor. If this criticism were true we should consider our efforts to be a failure. We tried, above all, to abolish the dualism of labor and utility, that combination of irreconcilable causes, which only proves that the true cause has not yet been recognized. We also wished to bridge over the chasm which yawns between the theory of value and that of distribution, and especially of interest. We hoped that a broad, clear current of theory might reflect the whole economic structure.

If, instead of fulfilling this purpose, we had only rectified a detail in Ricardo's system, and in this way supplemented the latter, we should have, in my opinion, only increased the evil which we intended to cure. If I rightly understand Professor Macvane's criticism, I think that he judges our theory too much from the standpoint of the Ricardian theory of value, in the light of which it is necessarily erroneous. I believe that this is the only reason why he has misunderstood us in essential points. At least every reader of his criticism must misunderstand us. Although I wish my answer to be brief, I must, nevertheless, commence with the discussion of some propositions of economic theory; and

since the most successful way of defence is offensive, I shall begin by attacking my opponent. First I shall endeavor to refute the proposition that all costs may be reduced to labor.

( 2 )

The critic can only judge what he understands ; nay, he must even understand it better than he whom he criticises. I must frankly confess, however, that in the case under discussion I cannot fulfill this first condition of all criticism. I really do not understand the assertion that all costs may be reduced to labor, or, at least, it is so strange to me that I cannot conceive how anyone can maintain it. With regard to this view I am much in the position of the ordinary man, who absolutely and resolutely believes in the reality of things of the outer world in opposition to that philosophical view which regards all physical objects which surround us as only apparent, the fictitious creations of our imaginations. He cannot rid himself of the idea that he can grasp and hold the things. Whatever the philosopher may say in favor of his view, may inspire him with awe and wonder, and, perhaps, with some kind of admiration, but never with clear insight. I am in entirely the same condition when it is asserted that raw material, coal, and machinery could all be completely expressed in terms of labor. Their shapes are too real to me, too concrete to permit me to put an abstraction in their place. I am well aware that the theory which maintains that everything is created by human labor, really implies human labor in connection with the soil of our earth and the other powers of nature. It does not pretend that man creates goods out of nothing. It is only the capital used in production, the means of production created by human civilization, that is to say, the result of human work in a general sense, which it is sought to reduce to labor. I certainly do not object to the assertion that capital is the result of human labor in a general way, but if it is taken literally and means that capital *is* labor, it must be frankly confessed, I can no longer follow the argument in my thought. I say this with perfect sincerity, and with no

shadow of irony. I wish to call the attention of my opponent to the fact that I am here obliged to ignore that which proves a decisive argument to him and to so many other distinguished thinkers. I must say that nothing has made me so doubtful during my study of value as the consciousness, oppressing me like a fault, that I am not able to follow the thought which, in one form or another, appears in the writings of the majority of those who have dealt with economic theory.

I cannot help suspecting that the theoretical writers so eagerly endeavor to eliminate capital from the cost-account because they are not able to explain the part which it plays. The reasoning by means of which the value of the products of labor is derived from the exertion involved in their production only includes those efforts which are felt, and not the inanimate capital. The theorist can come to no practical conclusion regarding capital as a part of the cost of production (*Kapitalkosten*), and, therefore, it must disappear. Of course those who commit this oversight are not conscious of it; they only forget, quite naturally, what is unpleasant to contemplate. Theorists can more easily yield to this instinct of human nature than practical men who are accustomed to feel the opposition of facts. The former may do so the more easily where there exists among them a silent agreement that none of them shall mention the disturbing fact. Such an agreement, it seems to me, exists in the English-American literature with regard to the part which capital plays in the cost-account.

The attempt has often been made to eliminate the inconvenient item of capital from the cost-account and to substitute labor for it. In my opinion this has been done most ingeniously by some Socialistic writers, whose explanation I cannot discuss in this place. Besides the above, two lines of argument have usually been taken. It is either asserted that capital is historically gained through labor, and, if the co-operation of natural forces is left out of consideration, through labor alone; or it is said that even to-day, with our modern methods of

production, capital is originated by labor, and, subject to the mentioned limitation, by labor alone. In both views the cost of the production of capital reduced to labor is substituted for capital; on the former hypothesis it is the cost which has been involved in accumulating capital from the beginning of economic history, in the latter the outlay which is necessary to reproduce the capital consumed.

I will not discuss here how far it is at all possible to estimate the value of a quantity of goods by its cost. I will only point out that with regard to the extent to which cost should be considered in determining value, a certain limitation must be made in theory and practice, namely, that only the necessary or reasonable expenditure shall be taken into account, but not an excess of cost due to an accident. Careless, wasteful, or unskilled labor, which has been employed in excess of what is demanded in an improved mode of production can never enter into the value of the product. Only that amount can come into account which is absolutely necessary for reproducing a commodity, *i. e.*, that which is reasonable according to our present mode of production.

Accordingly, it is evident that the process of originating and accumulating capital, which has been carried on for thousands of years, cannot enter as a factor in determining value. By far the greater part of the exertion by means of which mankind has, in the course of time, acquired this capital, might have been saved, if, from the beginning, the best processes had been known, the greatest industry had been applied, if nothing had been squandered, and especially nothing had been destroyed through violence and war. Only that part of the cost should be reckoned in, which, according to the present condition of things, would be absolutely necessary for reproducing the productive capital already in existence. If new capital were to be produced, it being claimed that capital should be reduced to labor, it would seem but reasonable to produce it entirely by means of labor, without artificial help and without drawing to our

aid any other capital. But who manufactures machines to-day otherwise than by means of machines? Who can do any work to-day without raw material or tools? Nowhere in our modern economy is capital produced by labor alone. Everywhere the new capital is the descendant of previously existing capital. By no form of computation can the factor "capital" be eliminated from the cost of capital.

To the assertion that the quantity of labor invested in the gradual accumulation of capital in the past determines the value of capital, I reply that this historical process is of no significance for the present valuation, even if it should be true that aside from the free natural forces, nothing but labor had been invested in capital from the first. To the assertion that the quantity of labor necessary for the present reproduction of consumed capital be decisive, I reply that, at present, capital can no longer be reproduced by new labor without the co-operation of already existing capital.

In his "Working Principles," Professor Macvane presents an exact analysis of the costs of producing paper in a large factory. In passing, I will note that one-fifth of the entire cost in cash is paid for wages—for absolute labor, the rest, four-fifths of the whole, is expended for machines, raw material, etc. Professor Macvane then continues: "But a little study of the matter enables us to see that the sums paid for machinery, materials, etc., are, in fact, mainly payments of wages in disguise. These sums replace (with a profit) to other employers the wages paid for the production of the machinery, materials, etc." But is this true? The cost-account of the other employers shows again the same state of affairs; only a part of their money expenditure goes for wages, another part, never insignificant and often very considerable, is spent in the acquisition of materials, etc. Each actual cost-account contains items of capital. What right has a theory to ignore them?

I know it is customary to state the matter as if capital, as an item of cost, only appeared in the cost-account as a result of the division of production among several or many

producers. The paper manufacturer who buys his machines from the machine manufacturer, necessarily believes that he acquires capital, while in reality he only buys the fruit of labor, *i. e.*, labor. If all concerns were united under one management, it would be evident at first glance that there was no original expenditure in production besides that of simple labor.

To a certain length I willingly follow this argument, in so far as it concerns newly manufactured half-products which one employer sells to another for the purpose of further elaboration. On the other hand, I regard it as entirely false so far as it concerns capital produced in earlier economic periods, which have long ago elapsed. If poor fishermen during the winter produce a net out of materials which nature furnishes them gratuitously, they create something which is paid for in summer by the fish which they catch by means of it. Their labor is first transformed into the net and then into the fish. Formerly the scanty tools were, perhaps, nothing more than rapidly-passing, transitional forms of human labor which embodied itself, only finally to resolve itself into the finished product, the creation of which was facilitated by this means. The distinction between such a primitive mode of production and the modern one lies in the fact that the capital-power employed in the latter is incomparably greater than that which, in the way just described, can be gained through direct transformation of labor into capital. It would not only be irrational, awkward, and expensive in any productive process to-day to begin *ab ovo* to create the requisite capital by means of labor alone, but it would even be impossible to attain the national income, or even a noteworthy fraction of it in this way. We owe the goods which we consume not only to our industry, but also to the capital which we have inherited from our ancestors, together with labor and Nature. This inherited capital—by the help of which we begin every process of production, without exception—must be considered as an inde-

pendent and indispensable factor in our production, which can be as little ignored as it can be dispensed with.

The proposition that capital is an indispensable factor in production has nothing novel in it to one versed in economic theory. It is discussed in every text-book of political economy in connection with production and its conditions. Professor Macvane also proves it in its proper place, in his "Working Principles" (chap. vii.), and he calls (chap. viii., p. 69.) "the capital of to-day a legacy." He informs his readers that "to those who already have capital, increase is comparatively easy. With the old tools new ones can be made." But if, in the same text-books and systems, we turn from the chapter on production to that on value—capital has disappeared. With regard to value, Professor Macvane classifies all cost into "labor" and "waiting," as others classify cost into labor and abstinence. In this classification capital, as such, has vanished. Only the following alternative is possible: Either capital has no existence whatever in the eyes of the political economist who reduces it to labor—it exists only in the mind of the layman—and in the discussion of production it should only be mentioned as a transitional stage of labor: Or capital has also to be recognized by science, its value must be discussed, its place assigned in the cost-account, and the influence estimated which it exercises on value, together with labor.

Every practical employer is constantly intent on arriving at a clear statement of his cost-account, including capital. Without it his book-keeping would be regarded as very incomplete. Imagine the manager of a large business who is engaged in drawing up a statement of his earnings and running expenses becoming puzzled in his calculations respecting his investments, discounts, a possible fall in value, etc. Let him try to inform himself about the meaning and significance of his calculations by reading theoretical works on value. What a surprise it would be to him not to find any information about these operations, but discover that everywhere capital is identified with labor. At first he may

perhaps be in doubt whether his calculations are without sense, or the theory without use, but soon he will decide that the latter is the case. It would certainly be no sufficient theoretical explanation of value, if merely the practical valuations, as they are generally made, were repeated. It is necessary that theory should rise above practice, especially above the individual case. But on the other hand, it would be entirely out of place to give a theory of value which should entirely ignore practical views of value and their origin. The physician who studies the diseases of the human body regards the testimony of the patient only as hints and suggestions, which he knows often enough mislead, his real object is the silent body itself. To the political economist, who studies the problem of value, the practical valuations are more than symptoms, they are the thing itself. It is his task to unfold their meaning, to state it in a more comprehensible, clear and complete form than the practical man could do it; but certainly not in a way which leaves entirely the sphere of economic experience.

(3)

Professor Macvane is right in supposing that the Austrian economists would reject the explanation of value based exclusively on exertion, even if it were true that the cost of capital could be reduced in every case to the cost of labor. We have a number of further objections, and we do not stand alone in this respect. They have been raised over and over again. It will suffice to mention one of them, which seems to me to be the most important in the principle underlying it.

According to the labor theory, labor should be estimated and paid in proportion to the effort and danger which it involves. The most painful and dangerous efforts would accordingly have the highest value. It is impossible to draw a different conclusion from the labor theory. And now let every reader ask himself whether experience affirms the supposition that the most painful and dangerous labor really

receives the highest wages. I believe even he who professes the labor theory will be compelled to grant that experience contradicts his theory, and that he would gladly be relieved of the necessity of proving that this contradiction is only apparent, and that experience really supports his view. I, at least, do not envy the theorist, who is forced of necessity to attempt such an explanation. It is certain that from a mere observation of wages nobody could have conceived the idea that the value of labor is determined by the hardship involved.

Confronted by this obstacle, Professor Macvane exhibits a degree of sincerity and sagacity which does him honor. He does not, like many others, simply skip the subject, without having given an explanation, but he discusses it thoroughly. He says (p. 98 of his "Principles") that the opinion of the laborers themselves as to what is painful or dangerous—be his opinion justifiable or not—must be decisive in estimating the effort and danger of labor. "What they think hard or dangerous, or disagreeable, is, for our present purposes, hard or dangerous, or disagreeable; what they think easy and pleasant, is easy and pleasant." This thought would lead to the conclusion that every one who is satisfied with certain wages for a certain effort, while others receive higher wages for less effort, would thereby silently admit that he regarded his effort as the less painful. I do not know whether Professor Macvane intends to go so far. It would not appear difficult to one apt in dialectics to present arguments in favor of Professor Macvane's interpretation; but all artifices of dialectics will prove nothing against the silent sighs which accompany the hard labor of the poor.

How would the manufacturer answer the question; by what standard does he grade the payment of wages? Without doubt he would say, according to the skill of the workmen and the services which they render him in his business. He will confess, that in certain cases, when he requires increased efforts, he will be obliged to increase wages in pro-

portion, but he will not indicate exertion as the absolute standard by which he grades labor. He will be compelled to increase the wages of the laborer who has a secured income, in order to induce him to undertake harder work, while, on the other hand, he only needs to offer starvation wages to the laborer who only has the choice between earning nothing and submitting to the heaviest work for the meagerest wages. It can only be said with exactness that labor can be had for the mere remuneration of its effort in case an abundant supply of it is at hand.

## (4)

Ricardo, and those who deduce value from labor, advance what at bottom amounts to the following argument: If a certain expenditure of labor, though relatively very small, must be made for the sake of obtaining useful things, each of these things has value or importance, simply because by the possession of the article labor is saved; the measure of value is not to be found in the utility of the article created, but in the often comparatively small quantity of labor through the sacrifice of which the article in question can always be reproduced. If the articles of utility could really be regularly obtained through a sacrifice of labor, his theory would be tenable. It would be necessary that any supply of commodities could be reproduced by means of the naturally free sources of production through more effort. In other words, we should expect that every one would be justified in consuming as much as would be the equivalent of the sacrifice of labor which he was willing to make. No satisfaction should be denied to him who is willing to work for it. Unfortunately, human labor cannot thus produce commodities indefinitely. In the first place, in order to make labor fruitful, we need capital in addition; and secondly, there is not always a sufficient quantity of labor available to carry on every kind of production which might be desired. The Ricardian theory of value is faulty, because the theory of economics which it presupposes, is faulty. Its premises re-

garding economic facts are wrong, while the reasoning by means of which it deduces conclusions from these false premises is unassailable. Its reasoning as such is absolutely convincing and hence the exceedingly great logical attraction which it has exercised, and continues to exercise, on so many people in spite of its evident opposition to facts. The conception of value at which this theory arrives, although clear and attractive, cannot be applied to our economic conditions. Not less so the law of value, which, it may be remarked in passing, has a very close inner affinity with the law of marginal utility; and in general, however strange it may sound, Ricardo's conception of value is very nearly related to that of value in use. No other anterior theory has shed so much light on the inner working of the economic world.

In my opinion, the part which this theory has played in the historical development of the doctrine of value, can best be characterized by comparing it to the "extensive" or primitive cultivation of land. Under a few striking half truths it buries the absolute truth which lies deeper. In its simplicity and force it satisfies the first primitive demand for explanation. But progressing science will necessarily formulate a more "intensive" theory, which will set forth a higher truth, although with a large expenditure of explanatory effort. Even if we overlook the fact that entirely different economic conditions must be presupposed—a limited, instead of a plentiful supply of commodities—it is, nevertheless, necessary to examine the value of the means of production in connection with the value of the products. Even if it were true, that all means of production could be reduced to labor, it would be necessary to examine the value of labor. Professor Macvane says "that the relation of product to exertion is that of reward, and reward only." He evidently thinks that with regard to labor, only the returns—the income, should be considered, and not the value. But experience seems to prove the contrary. Wherever a return is yielded, the aim appears to be primarily to determine the

value of the sources of this return. Everywhere value is used as a clue to pass from the fruits which have value to the economic means of production which yield the fruits, however numerous or distantly related they may be. Is not this the daily business of the exchange? With the same money, means of production and commodities are paid for in proportion to their value, and are exchanged accordingly. We cannot therefore avoid the conclusion that both are embraced in the same conception of value. If Professor Macvane asks why the Austrian School attributes value to the means of production, to those goods which form a part of the costs, I can only answer: We do it because it is done everywhere, without exception, in economic life.

## II.

### COST AND MARGINAL UTILITY.

#### (5)

Ricardo's explanation of value presupposes that the whole process of production would admit of a uniform valuation according to the feeling of personal exertion, and that such a valuation is actually carried on every day. It regards this apparatus as one immense body conscious of its efforts. The Austrian School seeks the uniform measure for estimating the value of the means of production and of the commodities, in the utility which they both create. Men consider as primarily useful the means of subsistence and those other commodities which directly satisfy personal wants; in a secondary sense also, all means of production by which the former are obtained, in proportion as these means aid in the production. Can one imagine a more natural, simple and conclusive conception of the utility of commodities? It is true it is not inherent utility which political economy takes as the standard of valuation. The most useful things are often entirely without value in the economic world. Nobody has recognized this fact more clearly than Ricardo, and I believe that in the

history of the theory of value it will be held as the lasting merit of his school to have revealed the opposition between value and utility. But his school committed a mistake in overestimating this opposition and in making it a complete contradiction, while in reality there exists a close logical relation between the two conceptions.

Articles which have utility have value only on the condition that they cannot at all times be obtained in any desired quantity. Certainly even in the midst of the abundance of Paradise satisfaction may be secured and has value as such, but the value of satisfaction will not be transferred to the thing which satisfies, because another article can always be obtained in its stead which will give the same satisfaction. The idea of value extends to commodities only when they can not be had in an abundance which would satisfy all possible demands. The idea of the importance of property only originates in scarcity.

Even in the case where goods are not obtainable in abundance, they are not estimated by the total utility which they possess, but generally only by a part of it. The law which determines this quantity of utility has been called the *law of marginal utility* by the Austrian School. The content of this law is shortly expressed as follows: A commodity is not valued according to the utility which it actually possesses, but by that degree of utility only which is dependent upon that particular commodity, *i.e.*, that degree of utility which could not be enjoyed without possessing the commodity in question. One who has an annual income of ten thousand guildens and wants to spend it, let us say in a thousand different ways, will not estimate the gulden which he is going to spend for the most necessary article according to its importance, but according to the importance of the least necessary of the thousand articles to be acquired, for only the latter would not be obtained if this one gulden should be lost.

The law of marginal utility, if rightly understood, includes the law of cost. I must therefore beg the reader's

permission to develop somewhat minutely our views on this point.

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The degree of utility possessed by the means of production depends entirely upon the degree of utility of the commodities produced by means of them and is based upon this. Indeed, in principle, these two qualities are mathematically equal, excepting perhaps that difference which is expressed in the rate of the discount and which may be neglected here. According to the view taken by the Austrian School the estimation of value should begin like the estimation of utility, upon which it is based, with the products, and proceed thence to the means of production. The consequence of this is that the utility and value of the means of production prove to be no more identical than the utility and value of the products. Thus, for example, the value of the harvests is usually estimated much lower than its total utility, and consequently the value of the large productive group represented by land, agricultural capital and labor must be correspondingly less than their total utility. Of course the value of the products only extends to such means of production as are not to be had in indefinite quantities. Labor, likewise, receives its share of value wherever it has helped in producing and cannot be obtained in unlimited quantities.

It is not at all necessary to take into account the arduousness of the labor in order to explain its value. Under the supposed conditions value would be accorded to labor even if it involved no expenditure of effort whatever. In principle, therefore, the value of the commodities and the value of the means of production are identical and the former forms the basis of the latter. But what is cost? And how is it that in observing economic life we receive the distinct impression that the means of production regarded as cost determine the value of the product?

Nobody will doubt that the value of a mineral spring which serves no other purpose than that of furnishing water

for drinking, receives its value from the utility which is attributed to the water, and that it loses its value so soon as this ceases to be esteemed. In the same way iron or coal or common labor derives its value from the utility of the commodities produced with its help. If the contrary appears to be true and the latter appear to derive their value from the expenditure of the former, this can only be due to the fact that the applications of iron or coal or common labor are so exceedingly manifold. Their value is only determined by the totality of what they produce. A single product may, however, contribute nothing observable to this value. If a small mill fails or a household disappears and coal is no longer consumed by them, the effect on the market is practically inappreciable. If the value of the means of production be actually compared with that of their individual products, the former will be considered as the stable, permanent and significant element, the latter as fluctuating and subordinate. The value of the iron reflects that of the commodities produced from it, but owing to the fact that the former concentrates, so to speak, all the rays as in a focus, its illuminating power is greater than that of any single ray.

But this is not all. The practical capitalist only theorizes so far as seems absolutely necessary. He would never make such a comparison of the value of the means of production with that of the products unless compelled by circumstances. Every capitalist must in his own interest adapt his business to the general conditions of the market, if he wants it to maintain itself profitably. So far as he resorts to means of production which have other applications as well, he finds that they have a given value. He must pay for them, and the value of the goods which he produces must replace this expenditure. In this sense he has to adapt the value of the commodities to the value of the means of production. Thus originates the conception of cost. Cost consists in means of production having manifold applications, like iron, coal, and common labor, which even when they are employed in the production of a single commodity, are still estimated accord-

ing to the value which they have in all their applications. The hundreds and thousands of different kinds of materials and tools prepared for production are counted, weighed, and measured according to the utility which they are to create, and in view of their importance most zealously guarded by their possessors. In the same way the different kinds of labor are assorted according to the utility expected from them, and arranged according to a classification which differs essentially from that which would result if the effort involved should be taken into consideration. The unlimited possession of useful productive materials and forces forms the basis of the economic confidence of modern society. Since each productive process diminishes this possession, it reduces utility—it *costs*, and it costs exactly as much as the value which the material and labor required would have produced if rationally applied. It is evident that a consideration of the cost does not, in the view taken above, produce the value of the commodities. The capitalist cannot in any way base upon the expenses he has incurred a successful claim that his customers should pay a price which would cover this outlay. The buyers pay according to their valuation of the commodities. The consideration of the cost has primarily only the effect of influencing the supply continually put on the market by the producers. Based upon the supply on the market (which is determined as above indicated), the value of the commodities continues to depend upon their utility, and the fact remains unshaken that this utility finally determines the value of means of production. At the sale of the products the capitalists continually rectify their calculations, and according to their gains or losses the value of the means of production increases or diminishes in their estimation. They contribute each in his own way and according to the measure of his influence, to maintain or alter the market-value of the means of production, which constantly regulates the wheels of industry.

There are, however, cases where, without influencing the quantity of the production, the cost directly determines the

value of the commodities. It must suffice here to illustrate this by a single example. Suppose the railroad system of a country to be completed, and consequently the annual demand for rails is limited to that quantity which is required to replace the wear and tear. Let us suppose, furthermore, that the value of iron, owing to an immense increase in the production of that metal, considerably decreases—what will be the effect on the value of rails? Their utility does not apparently change, nor the quantity produced, nevertheless their value will decrease for the very reason that the cost has lessened, and exactly so far as the cost has lessened. If the production of rails were monopolized, the former price could be maintained, and the fact that the rails had decreased in value would only come into account in the internal production. Free competition, however, will compel the producer to adapt the price to the rectified valuation and to allow the consumers to participate in the reduction of the value.

Without further analyzing these cases, mentioned as illustrations, I shall only show their general theoretical importance. We have here to do with a new application of the "law of marginal utility." The utility of the rails no longer depends upon their possession nor even upon their marginal utility, but only upon the still lower marginal utility of the material, labor, etc., which are requisite for their production. The value of these materials, labor, etc., is determined by that of commodities having a still lower marginal utility than the rails, for example, ordinary tools. The value of rails is therefore determined: (1) by the quantities of iron, etc., required; and (2) by the utility which these have in their most unimportant application in other productive processes. Although the rails do not owe their value to *their* utility, they owe it to *some kind of utility*—primarily to that of the means of production employed; finally to the marginal utility of certain other commodities. In the cases in question, the value of commodities is not estimated "specifically," but the commodities are regarded as compounds of their productive elements, of

several factors, to each of which a certain value is ascribed. The rails represent a certain amount of iron and labor, and are so estimated. Where large supplies of finished commodities are at hand which are sufficient to satisfy the most urgent demands and which are always supplemented by reproduction, this kind of valuation becomes quite general. It is the prevailing one in every well regulated form of production. Commodities in the manufacture of which different quantities of like elements are employed, are valued in the same ratio as these, that is to say, the quantities of the means of production required determine the relative value. From this arises the natural impression that they determine the value of commodities in general, and one forgets that it is necessary to seek for the absolute value. It is not sufficient to know what quantities of iron are required for certain commodities, but it is necessary as well to know the absolute value of the iron, and this is finally determined by the value of the products manufactured out of it. If, however, supply and demand are too seriously interfered with it is no longer possible to estimate the products by the value of the means of production. They are then estimated as "specific goods," that is, rails as rails. Then the utility, *i. e.*, the marginal utility of the rails determines their value. After the disturbance has ceased and production has again become regular, commodities are once more valued according to their cost, which is in turn, as has been shown, nothing but a complicated form of value in use.

Thus utility is always the decisive element, and, according to the same law, it is the marginal utility which is decisive. Circumstances, however, change in such a way that now a direct, now an indirect, now the specific, now an external utility constitutes the marginal utility. The Austrian School does not in any way destroy the idea of cost or the law of cost, it only endeavors to combine both with the general idea of value and its general law, and to explain them in this way. Our hope is to get beyond the old scho-

lastic controversy, whether value is determined by cost, or, conversely, cost by value.

## (7)

Professor Macvane rejects our conception of the influence of cost on value. He says: "It seems to involve a begging of the question." "The principle of cost," he continues, "is too broad to be admitted by a side door, or as an after-thought. If the reason why coats have a higher value than shoes be that coats have a greater final utility, that ought to be the end of the story. To add, as an incidental circumstance, that coats are also more difficult to make and so ought to have a higher value, has the appearance of putting the controlling factor in a curiously subordinate place."

I cannot quite understand this objection made against us. I find that it is not our view which he criticises. We do not admit the principle of cost by a side door, but, on the contrary, it is admitted without secrecy through the main portal of our theory. One principle is that value is derived from utility, and quite in harmony with this principle, we assert that cost is, after all, according to the general law of value, that of marginal utility, measured by utility alone.

But it should not be overlooked as, in my opinion, has been done by Professor Macvane, that, in speaking of utility (and marginal utility), we purposely put "the end of the story" a little further back than Ricardo and the Ricardians. In the case of the coat, as in the case of any other commodity, utility must be considered in two ways: First, in so far as it is useful itself; and, secondly, in so far as utility is attributed to the labor, materials, etc., by means of which it is produced and by means of which, at the same time, other commodities are produced. If, at a given moment, the marginal utility of coats equals one hundred, while the other commodities produced with the same means of production, and consequently the requisite means of production themselves, have a marginal utility of fifty, the result will be an endeavor to produce more coats. Now since the manufac-

ture of these means a profitable utilization of the means of production, this endeavor will continue until, by the increase of quantity, the marginal utility of coats has likewise been reduced to fifty. Then the value of the commodity and of the materials will become identical, and not, indeed, by any accident, but by the intentional realization of the most essential functions of economic life. But it may also happen that so many coats cannot be used, and consequently that an increase of production is not called for. Coats will then maintain the value one hundred as directly estimated by their marginal utility. But even in this case their value will ultimately equal fifty or the cost-value, if, at this value, they can be constantly and uninterruptedly placed upon the market. This result, also, will not be accidental, but the result of the general law of value—the “law of marginal utility.” Goods are not valued according to the utility which they themselves possess when a lower utility is dependent upon them, but according to this lower utility. In the given case a man who loses his coat does not lose the utility of one hundred, but only of fifty, which the requisite means of production would have yielded if applied in other ways. This utility is the marginal one and decisive for value.

## (8)

“I am unable to conceive,” Professor Macvane says, “of the attribute of exchange value as belonging to the cost of products. That would be to regard producers as carrying on a kind of exchange with nature, giving productive exertions in return for commodities. . . . But this way of looking at things does not seem to promise very useful results.”

I have already said that the Austrians recognize the value of the means of production because they observe that it is recognized everywhere in economic life. We believe that it is our task to explain value wherever we may find it. The theorist may always be sure that value, wherever it is found, has a meaning. The actual calculation of the economic world constitutes an unsurpassable work of art in which

nothing is isolated or unconnected, and it is not completely grasped by theory so long as anything in it seems to be without connection with the other portions of the system.

It is, in my opinion, not at all impossible to explain the meaning which lies in the customary valuation of the means of production and the cost-account based upon it. It is a fact of highest importance that the value of productive property and of productive powers anticipates the expected value of the commodities. It is in consequence of this fact that if productive materials and forces are employed in production and are thus either converted into fixed capital or consumed, we are continually admonished that the full value of the fruits expected must be derived from them. In this way, in the valuation of the means of production, the future commodities have already been taken into account. Their production is planned with the purpose of attaining the highest possible utility and is carried out with this end in view.

It is especially important to aim at the most advantageous utilization of those means of production which allow a manifold application. In order that the highest possible utility be obtained from them it is necessary to balance all their applications against each other. A condition of equilibrium must be established. Too much must not be manufactured of one product and too little of another, for otherwise the necessary would be sacrificed to the superfluous and the highest attainable utility would not be reached. It seems that without exact statistics of supply and demand production must proceed in the dark and often mistake its way. If, nevertheless, as is shown by experience, the right proportion between the different kinds of production is generally maintained, although the statistics are not exact and are often entirely wanting, it is due to the circumstance that another expedient presents itself, viz., to consult the value of the means of production as determined by the relation of supply and demand in the past. Every producer strives to manufacture that quantity of goods which will cause the value of the commodities to replace at least the

value of the means of production. His own interests demand this, for the means of production are his outlay which must be restored to him in the shape of the commodities produced. At the same time he renders, unconsciously, a great economic service, he helps to regulate production so that a general equilibrium results and the means of production yield the greatest possible utility.

"To count the cost" means in a single case to estimate the value of the means of production, having a manifold application, by that value which results from the totality of their applications. The outcome of the fact that the value is thus estimated in each single case is, that the means of production are distributed in such a way with regard to the commodities that the highest possible utility is attained.

This fact also explains why the endeavor is continually made to re-adjust the disturbances of production above mentioned which cause commodities to be valued for a time according to their "specific utility," instead of according to their cost. Hence the valuation according to "cost" implies the just and most efficient distribution of the means of production among all the various kinds of productions; the valuation according to "utility," on the other hand, indicates a disturbance, owing to which one branch of production is isolated from the other branches and consequently the equilibrium is destroyed.

It is primarily the individual capitalist who makes his calculation according to cost in his own interest. Free competition, however, compels him to apply the same calculation in selling to his customers and in this way to give to consumption that extent which corresponds to the production.

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I now come to that part of Professor Macvane's criticism which, while it deals apparently only with a single detail, involves in reality the most comprehensive conclusions.

The Austrian School explains exchange by the value in use; each party to the exchange endeavors to gain in value

in use. If the commodities parted with have a value in use of ten, the article received in exchange must necessarily have a higher value than ten in order that the exchange may take place. In the case of the other party to the exchange the valuation will be reversed; here a higher value is attached to that which received a lower estimate in the first instance.

Professor Macvane is right in showing that under the supremacy of the division of labor the products very frequently, if not generally, have no value in use at all to the producer who wants to sell them. He thinks that our theory has not taken this fact into account. But in this he is quite mistaken. We have taken it into account, and it is in complete harmony with our theory of exchange.

Although the commodity has no value in use to the seller, yet the price which he receives has an indirect value in use to him, since it enables him to buy goods of direct value in use. On this account he is influenced by those motives which, in our opinion, lead to the exchange. We presuppose a difference between the value in use of the article received and that of the article given in exchange. This difference does not disappear when the article given in exchange has a value in use equal to zero, but rather reaches its maximum in this case.

It is proper to emphasize in this place that the Ricardian theory offers no explanation of exchange. According to Ricardo, articles of equal cost have equal value; what inducement is there to exchange articles of equal value? It is evident that the parties to the exchange are influenced by some consideration of the utility of the goods exchanged. But utility as such does not lead to economic transactions. Nobody pays for the useful air, nobody pays for victuals in proportion to their total utility. In order to explain exchange, it is necessary to determine the real economic measure of utility: that measure the Austrians believe they have found in the idea of marginal utility. In this way the idea of marginal utility may enter the breach which the Ricardian

theory of exchange leaves open. If it succeed in this, the former theory will, I am convinced, suffer a signal and complete defeat.

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The point above discussed, leads Professor Macvane to the final principles of political economy. According to him, the Ricardian theory clearly reveals the fundamental plan of the economic world. It is the endeavor of each individual to obtain the greatest possible result by the least possible effort; and thus he makes the best application of his powers. Division of labor and free competition make it possible that the endeavor of each individual should redound to the advantage of society; so that finally the maximum of general advantage is attained by the minimum expenditure of general effort.

Professor Macvane thinks that on account of its erroneous conception of the motives of exchange our theory does not serve to explain the movements of this economic mechanism. I have just shown that the conditions produced by the division of labor are the same which we presuppose for exchange. Whatever may be said in favor of division of labor and free competition, as an explanation of the fact that the individual is compelled to work in the interest of society, can also be said of our theory of value and exchange.

I even maintain that the explanation of this process from the standpoint of the Ricardian theory is not by far as clear as that reached from our standpoint. Ricardo's theory does not in any way contain an explanation of exchange. In general, a theory can only explain the meaning of the economy of the world at large in so far as it succeeds in explaining the economy of the individual. The Ricardian theory only takes into account the quantities of labor expended, and only in so far as these are concerned does it trace the effects of the division of labor and of free competition and show how the individual is situated in his relation to the welfare of the whole. If this theory aims to show that the greatest possible results may be attained by the least possible effort,

it certainly does not explain how to measure the degree of this success. It is not sufficient to point to utility alone as this measure, for utility as such is nowhere decisive in the economic world. Since Ricardo has no measure for the results, that is, for the economic gain, he is not able to explain the nature of exchange.

Jevons and his school have in this respect progressed far beyond the standpoint of Ricardo. Jevons estimated utility by the standard of the marginal utility. He is able to correlate expenditure and gain in production as well as sacrifice and its reward in exchange. The economic balance-sheet is according to his theory "a calculus of pain and pleasure," and the word "calculus" has its definite sense in this connection because Jevons actually understood how ingeniously to measure "pleasure."

But not even Jevons has, in our opinion, succeeded in giving a satisfactory explanation of the nature of the economic balance-sheet. He has an insufficient measure for the economic expenditure because he measured it according to "pain." The principle of gaining the maximum of pleasure for the minimum of pain may suffice well enough when men gain sensual pleasures by means of physical exertions. If the utilitarians are right the highest rule of moral conduct may even be deduced from this principle. But it cannot without modification be applied in political economy and especially in relation to production, because the latter requires not only *personal* sacrifices, but also the sacrifice of *material objects*. These, however, represent the possessions of the producer, the sacrifice of which does not necessarily imply any feeling of pain. Certainly, no new principle is in this way introduced into political economy, since we estimate the goods which constitute our wealth by no other standard than their utility for us. But it remains for theory to explain according to what laws we connect the idea of utility—of pleasure—with the goods which compose wealth. We estimate them not only according to the minimum of pain, but we consider them at the same time as a condition of pleasure, and it is according

to this pleasure that we estimate their value. The musician whose painless performances delight his hearers, would reckon but poorly if he should estimate his performances by his pain and not by the delight of the public. The calculations of political economy will only be satisfactorily explained when the general and, for this reason, insignificant formula of "the calculus of pleasure and pain" is applied to these complicated conditions and the special rules are formulated which result from such an application. "To gain the maximum of booty with the minimum of effort" may be the simple sense of the economic reckoning of a hunter who has nothing to save but his strength. The economic reckoning in the age of capital is, however, harder to explain. There is more behind the mysteries of commercial bookkeeping than may be dreamt of in the philosophy of the hunter, and a formula explaining the latter would be but ill adapted for the interpretation of the former.

What I have said above in regard to the conception of cost and the meaning of the cost-account shows how we attempt to carry out the "calculus of pleasure" with regard to productive property. However, I cannot enter into further details here, nor can I develop the influence which in our opinion, is to be attributed to the effort expended by labor. Although we deny that this enters as such into the value of the commodities, we do not, of course, mean in any sense to banish it from the sphere of economic speculation.

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## THE BASIS OF INTEREST.

A CRITICISM OF THE SOLUTION OFFERED BY MR. HENRY  
GEORGE.\*

My purpose is to examine the theory of interest suggested by Mr. Henry George. I am free to say that I regard Mr. George, in some branches of economic inquiry, as *facile princeps* among all American economists, and that, to my mind, his analysis of the primary notions of rent, wages, labor, capital, production and exchange carries with it, in many important particulars, the persuasion of an absolute demonstration. His work hitherto, although marked by transcendent ability, has been fragmentary from the point of view of the science as a whole: and his leading writing, *Progress and Poverty*, is a performance of very unequal merit. It seems to me that the inquiry into the cause of interest contained in Chapter iii of Book III of *Progress and Poverty*, while it is distinguished by the clearness of statement, which is this writer's greatest charm, and in part by unquestionable ingenuity and success, is, nevertheless, on its positive side, little more than a tissue of fallacies, in which it is not a little remarkable that so acute a mind should suffer itself to become entangled.

It is not my intention to enter into a general discussion of the question of interest. The aim of the present paper is simply to examine the position taken by Mr. George and to point out wherein he seems to have been successful and wherein he has failed or is inconsistent with himself. A man's

\*[In justice to the author of this paper it ought to be said that he had no previous acquaintance with Professor Böhm-Bawerk's *Positive Theory of Capital* nor with Professor S. N. Patten's paper upon *The Fundamental Idea of Capital* (*Quarterly Journal of Economics*, Jan., 1889.) The explanation he advances is therefore entirely original, and forms an interesting illustration of the many ways a problem will be approached by independent thinkers when the time is ripe for its discussion.—THE EDITORS.]

views on a special question are often not so much the result of a just analysis of the question itself as of his positions previously taken on other points correlated with the subject under discussion. No one appreciates the effect of this collateral influence on the formation of opinion better than Mr. George, and in the course of his economic writings he has frequently turned his adversary's flank by exposing its occult workings. Yet in his chapter on interest he has given us a most striking instance of this most annoying mental perturbation. It should be remembered that Mr. George is practically a socialist as to land and the natural opportunities of the physical universe, and an individualist as to all production which is the result of labor in any form. He claims for society, as a whole, the benefit which must necessarily accrue to the individual from the pre-emption of any natural physical opportunity, and, while admitting that pre-emption is a pre-requisite to production, he proposes to equalize the resultant inequality by means of the single tax, which shall leave to the occupant the product of his labor, but deprive him of the advantage of his monopoly. Against the transparent equity of this proposition, I may be permitted to say, parenthetically, I have never seen an objection worthy of the consideration of a serious mind. On the other hand, Mr. George will hear nothing of that socialism which proposes to lay hold upon the whole work of production and in the first instance to subject to the general control the special endowment of individual men and to apportion equally their unequal product. He is quite content that the individual should be suffered to retain the full enjoyment of that natural monopoly, his special physical and mental endowment, and he looks with entire complacency upon all inequalities of fortune which arise from such a source.

He has carefully defined rent as the price of monopoly of natural physical opportunities, irrespective of the value added by labor, and hence his condemnation of it. He defines capital as the product of labor devoted to the work of production or exchange; and as capital, by his definition, must

have had its inception in labor, he is not disturbed if the possession of capital shall be found to give to its possessor a further advantage which is not the result of labor. Whether the possession of capital in any form, in the hands of its producer, can give to its owner any advantage which is not the result of labor, is, I think, more than doubtful. But Mr. George is of a different opinion. He maintains that capital is not necessarily dead or inert. Certain forms of capital, like money and spades are inert, he says, but there are other forms like wine, a cow, a swarm of bees, that are not inert, but are endowed with an inherent reproductive force by means of which they multiply in number or increase in value with the lapse of time without the necessity of human intervention. From this circumstance he derives interest. The owner of capital, which in time will of itself produce new wealth, will not part with the possession of that capital during the period required for the consummation of the new and spontaneous product, unless, at the end of that time he receive back his own and the increase. The increase is interest, the surrender of the increase is the payment of interest. Mr. George seems to have been led into this statement of the cause of interest by the attractive analogy which he in this way establishes between rent and interest. According to his view, both these economic phenomena arise from the control in individual hands of certain natural forces. In the first case the landlord can demand rent because he controls the forces to which other men must have access as the condition of successful labor. In the other case the capitalist can demand interest because he possesses capital in a form which will in time yield him a product which is not the result of labor. Interest and rent, therefore, are both paid for something which is not the result of labor, they are neither of them instances of exchange, but are simply tributes to superiority of economic condition under a system of private property. The most natural, though, of course, not conclusive, answer to such a correlation of these two economic phenomena is the *argumentum ad hominem*. How is it that when Mr. George

condemns rent on the ground that by it labor is taxed for the benefit of the non-producer, he can still justify interest, although he says that it is paid by a borrower and producer to secure the lender in the possession of an anticipated product, which, when it arrives, will not be the result of the capitalist's labor.

If Mr. George's conception be the true one, I do not see how he can distinguish between interest and rent. Upon his definition, both these payments in their last analysis represent a tribute paid to the private owner for something which he owns but did not produce. Mr. George's favorite shibboleth is that the laborer is entitled to his product, the whole of his product, and nothing but his product; and as a corollary that no man should own or be entitled to demand payment in exchange for that which he did not produce. I confess that this proposition has, to my mind, much of the force of a self-evident truth. From it he concludes by way of practical application that the landlord has no just claim to toll for the use of natural opportunities. But if, as Mr. George maintains, the basis of interest is the independent and inherent productive power of certain kinds of capital—whereby a product arises to the owner, which either in whole or in part is the result, not of labor, but of the spontaneous efficiency of nature, it seems to me that the private command of that spontaneous efficiency is exactly on a par with the private command of natural opportunities, and interest must fall under the same condemnation as rent. Of course, by such a retort we do not show that Mr. George's conception of interest is inexact, but we do convict him of a failure to appreciate the effect and consequences of his own explanation. Upon his premises, such a conception of certain kinds of capital would be a justification for confiscating the product or that part of it which results from the spontaneous efficiency of nature, but could never be made a sufficient social reason for paying interest. Rent and interest fall together, and the result is pure socialism.

It is difficult to see what other reply Mr. George could

make to this objection, except that as the original capital was the result of the owner's labor, he will be entitled to the increase, which is not the result of his labor.

Now, if we should discriminate, as Mr. George does, between the original capital, calling it a product of labor, and the increase, calling it something which is not the product of labor, such a reply would be a complete *non-sequitur*, because labor cannot justify the ownership of something which is not the product of labor. In addition to this, the reason given, if it be effectual at all, would involve a complete abandonment of the hypothesis, for it justifies the ownership of the increase on the ground that at bottom it is the product of labor.

But the real answer to Mr. George is that the whole notion of the reproductive power of capital is a delusion. There is no form of capital which will yield an increase which is not the result of labor. Let us give Mr. George the benefit of his own statement of the case before we undertake to answer him.

"Capital aids labor in all the different modes of production, but there is a distinction between the relations of the two in such modes of production as consist merely in changing the form or place of matter, as planing boards or mining coals, and such modes of production as avail themselves of the reproductive forces of nature, or of the power of increase arising from differences in the distribution of natural or human powers, such as the raising of grain or the exchange of ice for sugar. In production of the first kind, labor alone is the efficient cause; when labor stops, production stops. When the carpenter drops his plane as the sun sets, the increase of value which his plane is producing ceases until he begins his labor on the following morning. When the factory bell rings for closing, when the mine is shut down, production ends until work is resumed. The intervening time, so far as regards production, might as well be blotted out. The lapse of days, the change of seasons is no element in the production that depends solely upon the amount of labor

expended. But in the other modes of production to which I have referred, and in which the part of labor may be likened to the operations of lumbermen, who throw their logs into the stream, leaving it to the current to carry them to the boom of the saw-mill many miles below, time is an element. The seed in the ground germinates and grows while the farmer sleeps or plows new fields, and the ever-flowing currents of air and ocean bear Whittington's cat toward the rat-tormented ruler in the regions of romance.

"Now, what gives the increase in these cases is something which, *though it generally requires labor to utilize it*,\* is yet distinct and separable from labor—the active power of nature, the principle of growth, of reproduction which everywhere characterizes all the forms of that mysterious thing or condition which we call life. And it seems to me that it is this which is the cause of interest, or the increase of capital over and above that due to labor. There are, so to speak, in the movements which make up the everlasting flux of nature, certain vital currents, which will, *if we use them, aid us*,\* with a force independent of our own efforts, in turning matter into the forms we desire, that is to say, wealth.

"While many things might be named, which, like money, or planes, or planks, or engines, or clothing, have no innate power of increase, yet other things are included in the terms of wealth and capital, which, like wine, will of themselves increase in quality up to a certain point, or like bees, or cattle, will of themselves increase in quantity, and certain other things such as seeds, *which, though the conditions which enable them to increase may not be maintained without labor*,\* yet will, when the conditions are maintained, yield an increase or give a return over and above that which is to be attributed to labor.

"Now the interchangeability of wealth necessarily involves an average between all the species of wealth of any special advantage which accrues from the possession of any particular species. For no one would keep capital in one

\* The italics are ours.

form when it could be changed into a more advantageous form. . . . And so in any circle of exchange the power of increase which the reproductive or vital force of nature gives to some species of capital must average with all, and he who lends or uses in exchange money or planes, or bricks, or clothing, is not deprived of the power to obtain an increase, any more than if he had lent or put to a reproductive use so much capital in a form capable of increase.

"This interest springs from the power of increase which the reproductive forces of nature and the, in effect, analogous capacity for exchange give to capital. It is not an arbitrary, but a natural thing; it is not the result of a particular social organization, but of the laws of the universe which underlie society. It is therefore just.

"We must not," he adds, "think only of that which is paid by the user of capital to the owner of capital. Manifestly this is not all interest, but only some interest. Whoever uses capital and obtains an increase it is capable of giving, receives interest. If I plant and care for a tree until it comes to maturity, I receive in its fruit interest upon the capital I have thus accumulated, that is labor I have expended. If I raise a cow, the milk which she yields me morning and evening is not merely the reward of the labor then exerted, but interest upon the capital which my labor expended in raising her has accumulated in the cow. And so, if I use my own capital in directly aiding production as by machinery, or in indirectly aiding production in exchange, I receive a special distinguishable advantage from the reproductive character of capital, which is as real, though perhaps, not as clear, as though I had lent my capital to another and he had paid me interest."

It is difficult to say which one of this series of propositions is the most inaccurate. Let us begin at the beginning. It is true that there are in nature about us active forces in constant operation which we may direct to the production of wealth. The vital forces are of this category, but they, by

no means, constitute the whole of it. These active forces which make for change are properties of matter no less surely than are the passive properties which offer resistance to change. A carpenter is able to put a finish on a board with a plane not merely because he applies his labor to the work, but because the board in the order of nature is so constituted that it may be polished in that way. Some boards take a better finish than others; and if he worked all day his plane would not make any impression on a pail of water or a heap of sand. A lumberman throws logs into a stream and the current carries them down to the boom. He takes advantage of the properties of water, its buoyancy and its disposition to run down hill in order to effect his purpose, which is the transportation of the logs. He puts the logs into the stream, says Mr. George, nature does the rest. Well, what of it? The cabinet maker moves his plane over the face of a rough walnut board, nature does the rest. Human labor gives the original impulse in both instances and the product is the joint result of the human impulse and the properties of matter. Mr. George's imagination is profoundly impressed by the thought that after having thrown his logs into the stream the lumberman may sleep while his timber is floating down to its destination; that the farmer may sleep while his grain is germinating and developing; that the shepherd may sleep while his flocks are multiplying. But the interpretation of this fact, so far as it is a fact, is exactly the converse of the one suggested by Mr. George. The explanation is not that in these instances the laborer receives some exceptional reinforcement from the so-called vital forces of nature, but rather that after he has done all that he can do he is compelled to wait a considerable time before he can enjoy the finished product. Indeed, this circumstance appears to be rather a disadvantage than an advantage. It may be an advantage to the lumberman to be able to float his logs down the stream rather than to drag them to the mill on a sledge; on the other hand it may be more advantageous

to use sledges. It might take longer to float them down than it would to drag them overland; and even though the labor required to drag them to the mill were greater than the labor required to drag them to the water, it might very well be that it would be more advantageous to transport them by land, because the object would be attained sooner. Men work for a definite result always, and the time which elapses between the initiatory labor and the perfection of the product is a loss or an obstruction to enterprise. It is not, as Mr. George supposes, a pension to idleness, but is directly a burden upon labor; not an aid but a discouragement. The length of time required for grain to germinate and ripen, for wine to mature, or for the logs to reach the boom strikes Mr. George's imagination and causes him to think that nature is co-operating with man in those instances in a manner distinct from that in which she lends her aid in the transaction of planing a plank. In truth this is not the case, the only real difference is that her response to the impulse of labor is slower in one case than the other. In one case the product progresses with the labor, and when the carpenter lays down his plane his finished product is complete and ready for use; in the other case when the labor is finished the product is not yet complete, tardy nature accepts the human effort as sufficient, but exacts a further delay before she offers the reward. The effect of these striking instances on the imagination will, however, be greatly diminished if we reflect that the same delay is observable in those very operations which Mr. George would class with the unassisted operations. We witness the same phenomenon when we see the cook sit down with her folded hands while waiting for the kettle to boil, the bread to rise, or the jelly to congeal, or when the cooper throws a heated hoop around his upright staves and waits for the contraction of the metal to bind them firmly into a solid cask. The delay in these cases is much shorter, but the principle is the same. Mr. George, however, would, I fancy, scarcely regard with interest the circumstance that

while the cook is sleeping the batter may be overflowing upon the kitchen hearth. Nevertheless, the difference is not one of definition, but purely one of degree in the emotion of wonder.

The phenomenon of increase in the number of units under the operation of the vital principle kindles Mr. George's imagination. A board which has been polished is still one board; but a handful of grain when planted will become a bushel after a year's time. But the number of equal units is *not at all a material circumstance*. *The aim of production is not the multiplication of units, but the gratification of new desires*. The carpenter planes the board in order that his finished product may gratify a new desire which could not have been satisfied by the plank in the rough. The new product is attained and the new desire gratified by a simple change of form without an increase in the number of similar units. The farmer or herdsman, on the other hand, does not attempt a change of form—he wants more grain or more beasts of the same form.

Some agricultural products are wholly destroyed in the first gratification of final desire. A man cannot eat the same apple twice. The same thing is true of some manufactured products, like fire crackers. In both cases a constantly recurring demand makes the rapid multiplication of similar units desirable. But in a well organized pyrotechnic factory, as in a pin factory, the ratio between the number of men employed and the number of units of product turned out in a year is hardly less striking than it is in an apple orchard or wheat field. Most agricultural products, other than edibles, are not consumed on the first gratification of final desire; the same thing is true of most manufactured products. In no case can a new product be obtained to gratify new desires, except on condition of a change of form in the matter from which it proceeds. The slabs which are worked up into a highly polished board can never again be used to make a rustic bench, and growing crops imply decaying seed. So, too, with animals which reproduce their

kind, their vitality slowly passes to their offspring; while reproducing they are wasting away. Man's agency in this last case is exactly what it is in cultivating the fruits of the soil; it is directed to modifying the conditions of reproduction and controlling the natural selection, and his reward is in the more certain increase and the more agreeable product. The farmer and the herdsman are doing exactly what the carpenter and ironworker are doing, namely, directing the change in form of material things with a view to the gratification of new desires; and in this there is no difference between the production which is aided by the "vital principle" and that which is not.

Mr. George's error, at this point, seems to be a modern echo of the mistake of the Physiocrats, who assumed that because a farmer could raise in a year more grain than he and his family could eat in the same period, his labor yielded a net product beyond the reward of his exertion.

But there appears in Mr. George's exposition another notion not less erroneous than the one we have hitherto discussed. It is the assumption that capital employed in effecting exchange yields an increase which is not the result of labor. This is a misconception for which Mr. George cannot plead by way of excuse the disturbing influence of the imagination. It is simply a defect in analysis and definition; a defect which is the more remarkable because if there is one faculty which Mr. George possesses in a pre-eminent degree it is the faculty of analysis and definition.

These are his words:

"There is also in the utilization of the variations in the powers of nature and of man, which is effected by exchange, an increase which somewhat resembles that produced by the vital forces of nature. In one place, for instance, a given amount of labor will secure two hundred in vegetable food or one hundred in animal food. In another place these conditions are reversed, and the same amount of labor will produce one hundred in vegetable food or two hundred in animal. In the one place the relative value of the vegetable to

animal food will be as two to one, and in the other as one to two; and supposing equal amounts to be required, the same amount of labor will in either place secure one hundred and fifty to both. But by devoting labor in the one place to the procurement of vegetable food and in the other to the procurement of animal food and exchanging to the quantity required, the people of each place will be enabled by the given amount of labor to procure two hundred of both, less the losses and expenses of exchange: so that at each place the product which is taken from use and devoted to exchange brings back an increase. Thus Whittington's cat, sent to a far country, where cats are scarce and rats are plenty, returns in bales of goods and bags of gold."

It is true that the variant powers of nature and of man are the basis of the division of employments between individuals and communities, that an advantage arises from this division in the production of more wealth with which to gratify new desires, and that this advantage is distributed among the producers by means of exchange.

But it is not true that this advantage can be made the basis of interest, much less that it involves an increase which results from the employment of capital at any point, nor, indeed, which results from anything except the division of employments. The division of employments is the source from which the advantage arises, the cost of exchange is merely an additional obstacle to be overcome. When the exchange is effected and the cost of production and exchange is paid, the advantage is exhausted or at least it exists only in the possession of wealth fitted for the gratification of new desires. And that wealth, though it be greater in amount, that is to say, capable of gratifying more desires than would have been the case had the division of employment and the exchange not been resorted to, represents nothing after all but the wages of labor wisely directed. It is true that to effect the exchange both labor and capital may have to be employed, but nevertheless they constitute merely an intermediate step between the first application of labor to

the work of production and the final gratification of desire. The necessity for transportation is part of the resistance of nature to man's effort to satisfy his wants. It is difficult, therefore, to see how when a man overcomes that particular form of resistance, either with or without the employment of capital, an increase can arise which is not the reward of labor. Labor alone produces new forms for the gratification of desire. Exchange is merely a method of distributing the product. At bottom it is a reciprocal transfer of benefits, and where this is not the case, the one-sided transfer is not exchange, but spoliation. If I have made two coats and Mr. George has made two hats, and we desire to exchange a hat for a coat, we each experience a loss and gain, there is no increase. The actuating motive is a preference. He prefers a coat to his second hat, I prefer a hat to my second coat, hence the barter, and the sole advantage of that barter is the gratification of our respective preferences. In all this there is certainly no increase in wealth which is not the result of labor. Mr. George, in another portion of his work, has very clearly stated the principle that the gratifications which we purchase with the product of our labor through the medium of exchange are in substance the product of our labor. But this is only so because our product is the means of effecting the exchange on our part; it is the instrumentality through which we secure the gratification of our final desire, and this excludes the notion of increase. So much for Whittington's cat. Before dismissing this branch of the subject, however, let us examine a part of the closing paragraph of our first quotation from Mr. George. He says: "If I plant and care for a tree until it comes to maturity, I receive in its fruit interest on the capital I have thus accumulated—that is the labor I have expended. If I raise a cow, the milk which she yields me, morning and evening, is not merely the reward of the labor then exerted, but interest upon the capital which my labor expended in raising her has accumulated in the cow." That is to say, Mr. George maintains that the fruit and the milk represent

a distinct and spontaneous increase in wealth, which in part, at least, is in excess of the reward of the labor expended in feeding, protecting and milking the cow, while getting the milk, and in pruning and caring for the tree after it begins to bear and in picking the fruit. Now it is perfectly true that the milk and fruit do represent something more than the reward of labor of the current season, but that is the case only because the labor of the current season does not constitute all the labor which was required to bring about the result. When the tree was planted, the object was to obtain fruit, and when the cow was bred the object was to obtain milk. The fruit and milk are the reward of all the labor necessary to attain them, and they are the reward of nothing else. If the fruit tree never bears but one apple and then becomes barren, if the cow gives but one quart of milk, and then never gives any more, the labor previously expended would be rewarded, though insufficiently. If, on the other hand, the branches of the tree are laden with fruit and the cow's udder is heavy with milk with each recurring season through the long series of years the labor will be richly rewarded. But in each case it is the labor alone which is rewarded. In the same way a table is the reward of all the multifarious labor which precedes its completion, but in that case the reward is obtained all at once. Milk and fruit, however, are recurrent rewards which nature pays in installments. That is the only difference.

Furthermore, if it be proper at all to speak of capital as accumulated labor, which, by the way, I cannot admit, it seems quite clear that a return upon accumulated, like the return upon present labor, can be nothing else than wages, and Mr. George's characterization of capital at this point ought to have warned him that he was on the wrong track. Labor cannot be accumulated, it can only be expended. The products of labor can be accumulated, but such accumulation is not the reward of labor, but is, as Mr. George has elsewhere said, the reward of abstinence. The products of labor constitute wealth, and wealth will never reproduce itself to

meet the requirements of civilized man, except under the impulse of human labor directed to some point in the chain of causation. There are numerous recognitions of this truth in the passages which I have quoted from Mr. George. What is astonishing is that he should fail to recognize that this fact necessarily makes all increase the reward of labor. His vague notion that the increase can be in part the reward of necessary labor and in part the gift of nature is a fallacy similar to that into which Mr. Henry Carey fell when he ventured the assertion that the value of the land was the price of the labor expended in improving it and in support of his hypothesis asserted that no land would now sell in the market for more than the value of a part of that labor. Mr. George has frequently expressed his approval of Professor Walker's admirable flagellation of this most flagrant of Mr. Carey's many crimes against the laws of logic. If he will impartially compare Mr. Carey's lucubrations on the value of land with his own remarks on the spontaneous increase of capital, he cannot fail, I think, to be convinced of the similarity of the two mental processes. Up to this point the argument has proceeded upon a tacit admission of Mr. George's assumption that there are instances of production where all the labor is done at once, and then during a considerable period the work of production goes on through the efficient working of the vital forces without the further co-operation of the laborer. We have already shown that if such was the case it could not be an advantage to the laborer. The cost of production would be made up of two elements, the labor expended directly, or indirectly, through the use of accumulated capital, and compensation for the delay. And even if the delay could be considered an advantage it would be lost in exchange. The product could not be exchanged for more than its equivalent in labor cost. There would, therefore, be no increment from which interest could be derived.

In point of fact, however, I think we may safely assert that there is no instance in the whole range of production

where man can give the original impulse and then enjoy absolute rest for any considerable time while nature completes the work of production. And unless such a rest is enjoyed by a favored laborer for a considerable period, he could gain no advantage over his fellows. If, substantially, he has to work all the time during the working hours, the spontaneous efficiency of nature is in his case a delusion. And, actually, this is just what occurs in practice. The farmer does not plant his seed and then fold his hands until harvest. He is constantly at work cultivating and guarding or preparing for the reaping and garnering. It seems little to the purpose that wheat grows by night while the farmer sleeps, if all his days are consumed in its cultivation, or at least in maintaining the complex institution of the farm, which is the condition of a profitable production of wheat. Sheep, cattle and bees will not reproduce their kind to advantage without constant care and attention. Logs thrown into a stream will not all reach the boom unless the lumberman follows in a boat to dislodge those which are cast ashore. Wine will never reach perfection unless it be watched and protected from the elements and from depredation. Continuous labor is therefore the condition of all new wealth, and Mr. George's hypothesis fails upon all grounds.

Let us now consider Mr. George's analysis of Bastiat's justification of interest by the illustration of two carpenters and a plane, in which William borrows a plane from James and agrees to return the plane at the end of the year together with a plank.

Those who dissent from Mr. George's analysis of this illustration usually place the distinction between —

(a) The number of planks which William can make in a year *with* a plane, and

(b) The number of planks which he would make in the same time *without* any plane; and then derive interest from the efficiency which the employment of capital gives to labor.

It is admitted on all hands that William will have more

planks at the end of a year if he uses a plane than he will have if he works without any plane.

That, therefore, is not the question. William, like James, can produce a plane with ten days' labor. The question is (a) shall he borrow of James on the terms of the illustration, or (b) shall he make his own plane in the first instance? If he does borrow, where shall he find his profit in so doing?

I am far from averring that he will not be benefited by borrowing: but I take it that Mr. George has demonstrated beyond the possibility of contest that his profit will not be in the *number of planks* in his possession at the close of the year.

Consider the position of the two parties to the transaction at the beginning of the year. It is the first day of January. James has a plane, William has none. James can go to work at once and produce planks under the most favorable circumstances. William cannot: he must first make a plane or borrow one. If he borrows that plane of James on the day named, the conditions of the parties are reversed, but there is no change in the total productive capacity of the two men expressed in planks. A plane is the product of ten days labor, and is good for the production of two hundred and ninety planks in as many days and no more. At the end of two hundred and ninety days the plane is assumed to be worn out in accordance with a natural law, thus taking account of the physical fact that capital is consumed in the use and must be replaced from time to time. Bastiat overlooked this circumstance in his illustration, a defect which Mr. George corrects, and then proceeds with his analysis. Each of the two men will produce two hundred and ninety planks during the three hundred working days of the year, no more and no less. It is perfectly clear that two planes are necessary to that production, but as far as the total annual product is concerned it is entirely immaterial whether William or James takes the first ten days of the year to make the second plane. It is perfectly clear that if William does not borrow but makes his own plane, he will have at the

close of the year two hundred and ninety planks and no plane; whereas, if he does borrow, he will have at the close of the year two hundred and eighty-nine planks and no plane, an evident diminution in the amount of the product as the result of the transaction. On the other hand, if William does not borrow, James will commence work on the first of January and produce during two hundred and ninety days, two hundred and ninety planks, and he will employ the last ten days of the year in making a new plane: that is to say, at the end of the year James will have two hundred and ninety planks and a plane. If William does borrow, James will employ the first ten days of the year in making a plane just as William must otherwise have done, then he will produce two hundred and ninety planks during the remaining two hundred and ninety days, at the end of which time the plane will be worn out, and on the result of his own labor he would have two hundred and ninety planks and no plane. But on Sylvester Eve William calls to settle, and then James finds that the result of his labor and the transaction with William is that he has two hundred and ninety-one planks and a plane, an evident gain of one plank on the year's work.

Now there is no escape from the conclusion. Expressed in the terms of the product, the transaction must always show a loss to the borrower and a gain to the lender.

If it be suggested in reply to the foregoing that William finds his profit in borrowing and paying interest, because he has not what is styled sufficient "capital" to sustain life while he makes a plane during the first ten days of the year, the answer is five-fold.

1. The term of labor which we are considering is not ten days but one year of three hundred days. If the necessity to sustain life during production and independently of production is an element during any portion of the year, it must be so for the whole year, or else we get an inconstant factor in the problem. The ability to sustain life independently of production is silently assumed throughout. If this

be not so interest, instead of being derived, as was suggested, from the efficiency of capital, depends on the price of subsistence: and the assumption is then inconsistent with the conclusion.

2. If William cannot subsist ten days while he makes a plane, how can we suppose him able to subsist during the first day while he is making a plank with his borrowed plane, not to speak of making planks without a plane.

3. If William cannot subsist during the first ten days while he makes a plane, neither can James while he makes himself a new plane. Unless the parties are on an equal footing in every respect, except as to the possession of a plane, we cannot raise the precise question of interest paid for the use of the plane. If they are on an equal footing, and neither can produce a plane for want of food, there will be no lending or borrowing, for the effect would be to reduce James to the same position of impotence which William occupies, and his first move would be to borrow back his plane, in case he lent it.

4. The amount consumed by the laborer to satisfy the needs of life during production, is not capital, but it is product which has reached its final destination. Capital is the product of labor which has not reached its final destination—it is product employed for the creation of other product which will be used in its turn, either mediately or immediately to satisfy some final desire of man. Such consumption, therefore, is not a part of production, but is the aim of all production. It is an error, therefore, to style such material, in the hands of the producing agent, capital.

5. But even if we might properly call such material capital, the suggestion opens an endless vista of conditions and involves a *petitio principii*. The question is, under what conditions is it profitable for the laborer to borrow capital and pay interest for the use? The reply is, when he has no capital with which to produce capital. If such an answer is permissible, the discussion is impossible, for we never get a starting point. In this discussion we can only deal with

that capital which is the borrower's primary need. If the element which is thus injected into the question properly belongs there, then, in order to have an investigation at all, we must transpose the problem and shift the discussion to the advisability of William's borrowing and paying interest for ten days' subsistence. The capital which the laborer is required to borrow is the capital which will set his labor in motion under improved conditions, and according to the reply that capital is not the plane but ten days' subsistence. Therefore, we must drop the plane, and take up the question whether William might better borrow the subsistence and pay interest for it, or go out and gather his own subsistence. In other words, the objection knocks the problem into pi, as the printers say. It is this fact which makes it proper to assume throughout the ability of William and James to sustain life during the entire year independently of plane and plank making. We mean, that they can sustain life and make a plane in ten days and a plank a day for two hundred and ninety days. If we do not make this assumption a part of the case, we do not raise the issue of borrowing versus production of capital by the borrower; we practically deny the borrower's ability to produce the capital, which was part of our hypothesis. If we deny the borrower's ability alone, we produce an inequality which makes the question incapable of solution. If we deny the ability of both lender and borrower, we deprive the question of all rational interest, by destroying the point of departure.

The basis of interest seems to me to be truly in the element of time, but in a different sense from Mr. George's conception. The object of all production is enjoyment: present enjoyment is an advantage over future enjoyment. If William borrows the plane he will have completed his two hundred and ninety planks and have entered into the full enjoyment of two hundred and eighty-nine of them ten days before the end of the year; whereas James cannot complete his work until New Year's Eve. He loses and William gains the opportunity for enjoyment of the product during

those last ten days of the year, and this respective loss and gain is equalized by the payment of interest. If we can explain interest in this way, the transaction takes its place in the category of exchange and we get a comprehensible basis for the payment of the transaction itself. Interest, then, is in truth the reward of abstinence, not in the sense that accumulation is the reward of abstinence, but in the sense that every exchange is the reward of abstinence—an enjoyment lost is compensated by an enjoyment gained. James abstained during the ten days in which he produced the original plane; the result was the accumulation,—the plane. The abstention or loss was to himself, and the accumulation or gain was to himself. The transaction is subjective throughout. He is now, however, in the position to enjoy the plane if he chooses to do so. That is consumption. He may not choose to do so: he may prefer to exchange it with William for a spade. If he does so, he abstains from the enjoyment of the plane and transfers that enjoyment to William. This abstention is not purely subjective, it is made for the benefit of William, and James will not so abstain unless he receives a compensating benefit from William, which, however, he does receive when he gets the spade. In the transaction of barter the abstinence is absolute—the plane never comes back. The same thing is true of William and the spade—the spade never comes back to its original owner. But for a thousand reasons the transaction of barter may not suit one or both of the parties, and they agree upon a modified form of exchange. William asks the loan of the plane and *ex vi termini* promises to return it at a future date, in our case the end of the year. James' abstinence is not absolute, but temporary; he cannot, therefore, expect the same reward. As he is to get the plane back he cannot demand the price of the plane. But his abstinence, though temporary, is defined and certain. What shall he then demand? He cannot demand the loss in product which would accrue to him during the year, on the supposition that he goes without a plane during the

entire period, for that loss is exactly the gain which accrues to William, during the same period, from the use of the plane over the product of his unaided labor. If William pays over that gain he has no inducement to use a plane at all, and the loan or modified exchange will not take place. Nevertheless, if the basis of interest is the added efficiency which capital gives to labor, there is no reason why James should demand anything less. The added efficiency is the measure of James' loss and William's gain and the parties are not placed upon an equal footing until William makes good, by the transfer of his gain, the loss which James has sustained. A loan at interest, explained by the added efficiency which the use of capital gives to labor, would then become as fruitless in economic relations as identical propositions are in logic. "The greatest happiness is the greatest happiness"—the gain of the borrower must be surrendered to compensate the loss of the lender.

Bastiat's solution is: No, William will not pay over all his gain, but he and James will agree on a division of it. But upon what basis will they divide? So far as any explanation which Bastiat suggests is concerned, they might as well cast lots. When Bastiat calls to his aid that economic pack-horse, supply and demand, the answer is immediately at hand, to wit, that he has passed beyond the bounds of the discussion. He has called in a foreign element, to wit, other lenders and other borrowers in order to get a basis of division between the typical borrower and the typical lender. That is a confession of defeat. He must show a basis of division between James and William independent of everybody else. If we do not do this, whatever light we may throw on the fluctuations in the rate of interest in actual practice, we contribute nothing to the settlement of the theoretic basis of interest. The influence of supply and demand is always a secondary cause. What we are now trying to discover is the primary cause; that is to say, what interest is paid for in the typical case. If James is entitled to claim as his own the added efficiency which the use of the

plane gives to William's labor, and he gets the whole of the product, which represents that added efficiency, aside from the inherent absurdity that one freeman can be entitled in any way economically to the product of another freeman's labor, James, when he receives that payment and his plane will clearly have been paid for doing nothing for a whole year. William evidently has no reason for paying James to remain idle. If James does not get the whole of this increase of product, but, as Bastiat says, gets some part of it, he is still paid for remaining idle to the extent to which he does receive something.

William has no more reason for making the lesser than he has for making the greater payment. He will never work merely to sustain James in idleness for a time long or short. And the question can never assume any other aspect if we seek the basis of interest in the advantage which accrues to William as a producer independently of any loss which James sustains. Whether James be seller or lender, and William buyer or borrower, James can never get any portion of the benefit accruing to William on the transaction, because, as that benefit is William's motive, unless William gets it, and gets it all, he will not make the bargain. Still less will he undertake to pay James for remaining idle. He will only compensate James for the sacrifice which he asks him to make. What is that sacrifice in the case in hand?

Assuming then, as we must, that James continues a productive agent during the entire year, as he would have done had he retained his plane, (and we are compelled to assume this, because by lending his plane he is not reduced to enforced idleness, which would be the only idleness which William could consider) his only sacrifice is a delay of ten days in the enjoyment of his final product. William, on the other hand, receives a corresponding gain in the advancement of the hour for the enjoyment of his final product. James demands compensation for this sacrifice. William pays the compensation because he gets a corresponding

advantage. How much shall he pay? That must depend upon treaty. There is no normal measure except the relative intensity of the conflicting desires for early enjoyment. There is certainly no room for such a measure as the "cost of production" because there is no exchange of products; and by no possibility, in the case stated, could William secure as the product of his own labor the gain in time which the loan assures to him. A material product is given for something which is not a material product. The transaction, as far as the mere payment of interest is concerned, is analogous to the sum paid to a singer. In a complicated social state, supply and demand regulate the price of opera tickets and the rate of interest; that, however, is not a fundamental, but a secondary consideration.

*Philadelphia.*

DWIGHT M. LOWREY.

## PARTY GOVERNMENT.

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*(Second Paper.)*

In a short paper, entitled "Party Government," and published in the ANNALS for January, 1892, it was argued that our custom of allowing political parties to declare our principles and select our candidates for public positions by means of delegate elections and nominating conventions, must necessarily make it easy for a selfish and unscrupulous minority to defeat and control an honest and patriotic majority. Among the reasons given for this, it was shown that, with such a system, the time, labor and organization requisite for simultaneous successes at many different primaries are so great, and the opportunities for trickery and fraud are so numerous, that a well disciplined, harmonious and energetic combination of men who have no other business to attend to, and are not burdened with a conscience, have a great and generally decisive advantage over their fellow-citizens who are differently situated.

If there could be any doubt about the correctness of the conclusion arrived at, additional proofs could easily be found ; as, for instance, the fact that, since the right to vote at a party election must, of course, be confined to those who have voted, or will promise to vote, the party ticket, the spoilsmen need only indulge their natural preference for making improper nominations, in order to force the best of the voters into cutting the ticket, and thus debarring themselves from all right to participate in future primaries. The worse the nominations, the more limited and select will be the company of those entitled to the doubtful honor of taking part in the next delegate election. Nothing can be more simple and effective than this method for getting rid of honest and intelligent voters, if they ever become sufficiently numer-

ous to be dangerous at the primaries. But there are so few of that class who have not realized the absurdity of attending these periodical farces, that the politicians can generally afford to issue urgent appeals for their presence, and greet them with a pretence of welcome when they do appear. It is true that the leaders sometimes fall out with each other about the division of the spoils, and thus give honest men a chance for their own. But such conditions are as temporary as they are rare; thieves stop quarreling when they hear the policemen coming, and neither faction nor party will keep the spoilsmen from combining when their power is endangered by the spasmodic efforts of their common prey. Good government has been defined as the art of putting the the best men into office and keeping them there; but it is evident that our party system is being gradually converted into a machine for keeping the best men out and letting the bad men in.

It seems superfluous, however, to go on enumerating facts familiar to all thoughtful men, or to present any other reasons than those given in the former paper for the conclusion therein reached, which was, "that our general submission to the rule of political parties tends to lower our moral standards, corrupt our people, and subject our National, State, and Municipal Governments to a class of men who care far more for personal and partisan success than for either the honor or material interests of those they profess to serve."

The deplorable results of this tendency have already been developed to such an extent that the professional politician and office-holder has become an object of almost universal suspicion and distrust. One of the most obvious signs of this may be found in the restrictions imposed by new constitutions or constitutional amendments upon the powers of the Legislatures in the different states. In speaking of only one class of these restrictions, Mr. Bryce, in his "American Commonwealth," says, "One feels, in reading these multi-form provisions, as if the legislature was a rabbit seeking to

issue from its burrow to ravage the crops wherever it could, and the people of the state were obliged to close every exit, because they could not otherwise restrain its inveterate propensity for mischief." Another indication of the general contempt for those in authority may be found in the freedom and vigor with which they are frequently attacked by newspaper editors, who seem to have no doubt as to their readers' approval of such sentiments.

The following extract from the *San Francisco Bulletin* will serve as an illustration of this:—

"It is not possible to speak in measured terms of the rotten thing that goes by the name of legislature in this state (California). It has of late years been the vilest deliberative body in the world. The assemblage has become one of bandits, instead of law-makers. Everything within its grasp for years has been for sale. The commissions to high office which it confers are the outward and visible signs of felony rather than of careful and wise selection."

In private conversation and in the public press there is probably no other class so constantly denounced as the politicians; and when those who happen to be in opposing parties undertake to reveal the character and villainies of each other, the people are apt to think that, like the men who fought a duel with horse-whips, each is getting what he deserves.

But although we must deplore the fact that such men as these are able to select and control our legislators and officials, we may find some reason for encouragement in the disgust and dissatisfaction which they have so generally excited, and which seem to indicate that, if better methods can be properly presented and advocated, the people may be ultimately induced to give them a trial. Such a result, however, can only be hoped for after thorough discussion and careful consideration, followed by the earnest and persistent efforts of intelligent and patriotic citizens. It is in the hope of promoting such discussion and consideration that these pages have been written.

Before going further, it may be well to point out that there can be no question as to the ability of the people to try another system whenever a majority of the voters may desire it. While it is true that the politicians cannot be prevented from controlling their nominating conventions, their nominations would be mere waste paper if the voters should conclude to ignore them, and vote for candidates otherwise nominated. Under such circumstances, the most powerful boss would be as harmless as a king without a subject, and the regular machines, with their miserable and demoralizing "practical politics," would crumble into dust, like the walls of Jericho at the shout of the Israelites.

There are some persons who object to discussions of this kind, as leading to a useless stirring up of strife and discontent, and endangering the influence and success of one or the other of the leading parties. They cannot deny the existence of the evils spoken of, but they assume that such evils are inseparable from party government; that party government is indispensable in a republic; that great social and economic measures can only be carried out by means of parties, and that we should, therefore, submit to their rule; although, as we have seen, they reward dishonesty and corruption with power and office, and offer all the allurements of political success to encourage the belief that the ten commandments are antiquated precepts, which have no application to the public affairs of a modern nation. In reply to such objections, we might argue that even if these assumptions were based upon sound premises, a willingness to permit the moral sense of a community to be debauched and degraded, in the hope of promoting its material interests, could not be easily defended on Christian or ethical grounds, and might be very strongly attacked from the lower standpoint of mere worldly prosperity.

Having found that the consequences of allowing political parties to make our nominations are almost wholly evil, it becomes our duty to inquire whether this power can be taken away from such parties, without seriously interfering with any

useful purpose which they may now serve; and, if so, whether it can be entrusted to other agencies with reasonable hopes of better results.

The practical, as distinguished from the theoretical work now performed by our political parties, may be considered under different heads, as follows:—

1. Educational work, or activity in advocating special ideas or principles, such as Protection, Free Trade, Free Coinage, etc.
2. Selecting Candidates for Office.
3. Making up the platforms, or declaration of principles.
4. Preparing tickets and furnishing them to the voters; a task which, under the new ballot-laws, will hereafter be performed exclusively by public officers.
5. Getting out the vote by eloquent addresses, personal solicitation, etc.
6. Guarding against frauds, and contesting elections.
7. Distributing the subordinate appointments and government patronage, as bribes or rewards for personal or partisan services.
8. Controlling and dictating the conduct of legislators and public officials, so that they may always act as faithful servants of their party, or rather of its leaders, with such secondary consideration for the people who have been coerced or cajoled into electing and paying them, as may appear necessary to prevent a loss of votes at subsequent elections.

In regard to the preparation of platforms it may be asked why the same platform, with all its minor details, should be forcibly applied to every locality at once, and thus made to serve as a bed of Procrustes for the opinions and consciences of both nominees and voters? Every candidate, no matter how he is nominated, should be expected to make a personal declaration of his principles, either in his own words, or in language prepared by others; and if this is done there would seem to be no necessity for any party organization to interfere between him and his constituents, and compel him to divide his allegiance or ignore his pledges. Those whose

legal representative he is, have a right to insist that he shall use his utmost wisdom, and his untrammelled judgment in their service; and it is not for their interest that any other person or combination of persons should have the power to control his action or command his obedience.

Parties, as well as individuals, should always be free to persuade the voters to favor a particular policy or principle, and elect candidates pledged to support it; but they should never be permitted to usurp the rightful and necessary control of the people over their own servants.

It is not proposed to enter here upon an extended discussion of any of the remaining functions assumed by political parties, except that of selecting our candidates. It is believed, however, that an unprejudiced consideration of the others will make it clear that so far as any of them are legitimate and useful, they are not in the least dependent upon the power to make nominations, but could and would be much better and more effectively executed by voluntary associations, similar to those which are constantly engaged in educational or social labors, and are free from the suspicion of working for purely selfish purposes.

If this view is correct there can be no reason to fear that the general adoption of better methods for the selection of candidates, could in any way weaken the support of a good cause, or result in injury to the interests of the people. And we need not hesitate to admit that almost any change would be wiser than to allow the spoilsmen to retain a power of which they have made such disastrous and demoralizing use.

It is evident that the improved system of which we are in such urgent need must exclude, or render nugatory, all the elaborate organization, complicated processes and opportunities for secret conspiracy and fraud, which we have been discussing, and which have given the politicians such decisive advantages over their fellow-citizens. What we require is a system for the selection of candidates, which will, as nearly as possible, give the best and busiest voter as potent a

voice as the worst and most useless patron of the grog-shops ; and will enable the most honest and conscientious citizen, to exert as much influence as the most cunning and unscrupulous of the professional politicians.

When the people are about to elect their representatives, the man for whom every corrupt combination and agency has been working for months should not be permitted to have the slightest practical advantage, as a candidate, over one who has been spontaneously nominated by honest and unselfish citizens, who could spare but a few minutes for the task.

To those who have never given particular attention to the provisions relating to nominations, which form what is really the most important part of the genuine Australian Ballot system, it may be a surprise to find to what an extent, and at the same time with what simplicity, the requirements just spoken of have been already provided for. American politicians are not particularly fond of drinking cold poison, and when they find themselves forced to swallow a Reform Ballot Law, it is only natural that they should try to neutralize the most powerful ingredients, and adulterate the rest, so that the dose may weaken them as little as possible. If not deformed by such efforts, the Australian System would entirely ignore all organizations of every kind ; and nominations made at an hour's notice by the most intelligent and patriotic citizens would be treated in the same way, and would be submitted to each voter, in precisely the same manner as if they had come from the chiefs of Tammany Hall, or had been the carefully elaborated product of one of the regular machines, manipulated by an expert leader.

Each nomination would require, not the certificate of a party, but simply the signatures of a specified number of qualified voters, and the names and addresses of these sponsors would be accessible to the public. The proper officers would then have the names of all the nominees printed in alphabetical order on the official ballots, and no

one could cast a vote without using one of these ballots, and selecting and marking on it the names of those he would prefer.

In some of the states the legislation necessary for the adoption of such a system could only be obtained through the most earnest and persistent efforts, while in others, where the machine is not as yet so powerful, it could be, or has already been, procured with comparative ease. Experience moreover, has shown that there would be no danger of too many nominees. Anxiety for the success of their principles, and the fear of making themselves ridiculous or unpopular, would prevent men of standing and influence from coming forward too freely, either as candidates or as sponsors; and the number of endorsers required by the law, could be increased, if necessary, to avoid confusion.

The enactment of such a law would necessitate an immediate improvement in the character of party nominations, because it would make it so much easier for the citizens to defeat unfit nominees by supporting independents. But it would accomplish much more than this whenever the people should decide to rely entirely upon the methods which it would provide, and ignore all partisan candidates. By thus depriving the political parties of their power to control the nominations, the voters would render them incapable of further mischief, and they could no longer be of use to the corrupt leaders who now dominate them. This would cause them to be abandoned by all their worst elements, and they would be converted into patriotic associations for educational work. Their proper function would be to convince the people that certain policies should be adopted, and then the voters would themselves, select for candidates the best men they could find who favored such policies, and were free from all suspicion of being the tools or bondservants of any ring or party.

Instead of relying upon a party nomination obtained by dishonorable means, each aspirant would have to depend upon his own merits and upon the number and influence of

those who might be willing to appear before the whole community as his endorsers.

There is, therefore, every reason to believe that so far as nominations are concerned, if we could introduce the real Australian System, as distinguished from such deformed imitations as we owe to the low cunning of leading politicians in Pennsylvania and New York, we would provide the most admirable means for doing the work, which leads to such endless mischief when entrusted to political parties, and we would make the latter as unnecessary in the capacity of servants, as they are now intolerable in the position of masters.

But, as the finest weapon of Damascus must remain idle if there is no one to wield it, so the most perfect law must be worthless unless the people can be persuaded to make use of it, and no act of a legislature could of itself, be sufficient to banish from the political highways those civil spoken and jovial "gentlemen of the road," who have so long used us as well-broken saddle horses, existing only for their personal profit and convenience. As long as they could cherish the least hope of success they would continue to run their machines, grind out their pre-arranged nominations, and then file them with the required number of signatures in whatever manner the law might make necessary. They would praise their conventions as being representative in their character, but they would neglect to add that no one but themselves could be represented in such assemblies. As each election drew near they would repeat their efforts to hypnotize us into the belief that no independent candidate could have a chance to win, and that a vote for such a candidate at that particular time, might result in the defeat of principles absolutely essential to the welfare, if not to the very existence, of the nation.

Then, as now, they would seek to fasten their nominations to some popular planks of an ingeniously constructed platform, in the hope that the former would thus be floated

safely through the breakers of distrust or indignation which would otherwise overwhelm them.

It is probably true that, although the fatal net of the spoilsmen has been so often spread in sight of the birds, it will not be entirely in vain, until there shall have been a great increase in the number of those who realize that good legislators and officers with bad laws are far better than good laws with bad officers; and that even if good laws were more important than good men, we should still vote as if the latter alone were really essential, since it is only by voting for good men that we can either obtain good laws or secure their subsequent enforcement. But it will not be necessary for anyone to postpone independent action until a majority of the voters are prepared to act upon these principles. A comparatively small number, voting steadily in support of independent candidates at a few consecutive elections, would suffice to satisfy the people that there was really some hope of breaking up the system with which they have become so generally disgusted, and then success would be speedy. It is only the fear of wasting their votes on good men who have no chance of winning, which deters the people from voting against the bad candidates who are forced upon them by the regular machines.

We seem to have reached a crisis, when independent voting has become an imperative duty, even if it does involve temporary successes for the party to which we may be most opposed. Those who cannot yet consent to throw off the party harness in national contests should at least reject it in state and municipal elections.

The arguments for independent voting are both cumulative and conclusive. It is not only the sole possible means by which the final and complete purification of politics can ever be accomplished, but it is also the only effective weapon which we can use either for preventing the further growth of corruption and venality, or for securing even the slightest and most gradual improvement in our present condition.

The gentlemen who make a point of declaring that they

never cut the ticket of their party, are simply advocating the sacrifice of all influence on the conduct of its leaders. No recommendations from other offices, or even his own knowledge and high opinion of an applicant, will ever justify in their mind disloyalty to the agency which furnishes his public servants.

As intelligent citizens, we are forced to choose between a position substantially similar to this, and that of an independent voter. There is no other alternative ; we must obey or disobey the orders handed down through the nominating conventions. If we obey we will be giving the bosses everything they ask, if we disobey we are independents.

In a genuine and fully developed party boss, the only substitute for a conscience appears to be his anxiety about the uncertain or independent voters, who are liable to cut their regular ticket whenever they consider it worse than one of those opposed to it. He feels no concern about the wishes or opinions of the men who are always certain to vote the straight ticket, no matter how bad it may be. But in order to conciliate or hoodwink enough of the independent voters to carry the election, and thus secure the offices for his followers, the hard-pressed chief is compelled to resort to continual misrepresentation and false promises of reform.

In ordinary times these may answer his purpose, but they are insufficient when some unusual development of rascality has excited the popular mind, and there is a prospect of a sudden increase of independent voting for the opposition ticket, or for some irregular candidate. On, these trying occasions the boss is obliged to choose between two bitter alternatives ; he must either allow some good men to be nominated and some good laws to be passed, or he must give up part of the spoils in exchange for assistance from those of his own kind, who are digging their spurs into the sides of the opposite party.

Under such circumstances excellent measures have sometimes been wrung from our unwilling masters. The pas-

sage of the National Civil Service Law is a conspicuous instance of this. But when the squall has passed, the war upon everything that interferes with the spoils system is promptly renewed, and usually with such success that the impotence of good laws administered by their natural enemies is abundantly illustrated.

As the politician knows that most of his difficulties are due to the aggravating perverseness and mutinous threats of those who lack the infinite patience and submission to tyranny and fraud which he describes with enthusiasm as "loyalty to the party," it is not strange that the rapid increase of independent voters should excite him. When he is combating the workers of a rival party or an unsatisfied faction of the one he belongs to, he realizes that his opponents are men whose objects and methods are so similar to his own that they may at any time become his "pals;" and that while they may be active competitors for a share of the plunder, none of them can be serious in their professions of a desire to ruin the business, and protect the public from further outrage. But his anxiety is greatly increased when he recognizes with a true instinct the pioneers of the only class which can ever hope either to hold him in check, or to finally abolish him. The violence of his wrath is an additional proof that the fingers of the people have already touched the only weapon which he has much reason to fear. He endeavors to protect himself by exhortations to party loyalty. He is especially emphatic in declaring that any allusion to the character of his candidates is an offensive personality, as if the truth in regard to such candidates as he prefers could ever fail to be offensive. His strongest plea, however, is the one before referred to, viz.: the danger of electing worse men, or strengthening some unwise theory, by withholding votes from his candidates, or giving them to some independent nominee.

The disastrous effect which this argument produces on the minds of the voters shows how necessary it is, not only to augment the number of those who recognize the paramount

importance of independent voting, but also to persuade them to make use of every opportunity to go to the polls and be counted, so as to encourage others by an exhibition of their increasing strength.

The same purpose might also be served to some extent by obtaining as many signatures as possible to papers, declaring that the subscribers intended to vote (or not to vote) for certain persons, or for anyone known to favor certain measures; each signature being stated to be void unless a specified number of other voters should sign the same declaration. It is difficult to see why any good citizen should object to signing such a purely conditional expression in favor of men or measures which he approves; and every additional signature to a paper of this kind would help to supply the encouragement and promote the concert of action which are so essential. Such papers, numerous, signed and published in advance of the dates fixed for the primary elections, might have an excellent effect on the fears of the bosses, when they are "making up the slate."

But whatever methods we employ, and whatever reforms we advocate, we should never forget that no considerable or permanent improvement in the management of our public affairs can possibly be obtained, except as it is the direct result, or is extorted by the fear of, independent voting; and that in order to facilitate such voting, and provide at the same time a better agency for the work now done by nominating conventions, we should use every effort to secure a ballot-law which will contain no reference to any political party or nominating machine, but will require all nominations to be treated exactly alike, and to be made by the same plain, easy method of nominating papers, signed by a specified number of qualified voters.

CHARLES RICHARDSON.

*Philadelphia.*

## PERSONAL NOTES.

### AMERICA.

**Harvard University.**—Edward Cummings, who was appointed, May 27th, 1891, Instructor in Political Economy in Harvard University, was born April 20th, 1861. He was graduated at Harvard with the class of 1883, and returning to the University in the autumn of the same year, he continued his preparation for sociological work, first in the Law School and then in Divinity School, receiving the degree of A. M., Harvard University, 1885.

In the double capacity of instructor in the English department and of graduate student of social science he remained at the University until 1888, when he was appointed to the newly-established Robert Treat Paine Fellowship in Social Science. The three succeeding years he pursued his studies abroad. The first year he was in England and Scotland, making a detailed study of coöperation, of trade and labor organizations, and of the condition of the poor in large cities. This work, especially the study of philanthropic methods, University Extension, and the like, was facilitated by a residence of several months at Toynbee Hall, Whitechapel, London, and by a shorter residence in the more important English and Scotch industrial centres.

In June, 1889, he went to Paris to attend the international congresses of specialists held in connection with the department of *Économie Sociale* at the French Exposition. These congresses and the mass of material collected in the *Exposition d'Économie Sociale*, furnished an excellent basis for comparative study of questions which had occupied the previous year in England. During the winter of 1889-90 he attended lectures at *École Libre des Sciences Politiques*, the *Sorbonne* and the *Collège de France*. He became a member of the Le

Play Society *d'Économie Sociale*, and continued his special investigation of coöperation, philanthropic methods, etc.

The field of work the following spring was Naples, and subsequently other cities in Central and Northern Italy.

In the autumn of 1890 he matriculated at the University of Berlin. After supplementing university work with some minor investigations in other parts of Germany, in Hungary, and in Belgium, he returned to England and concluded his work there in the spring of 1891.

Mr. Cummings has published the following papers in the *Quarterly Journal of Economics*.

Action under Labor Arbitration Acts (July, 1887).

English Trades Unions (July, 1889).

The Exposition of Social Economy at Paris (January, 1890).

Coöperative Production in France and England (July, 1890).

**Princeton Theological Seminary.**—Rev. Frederick Howard Wines, of Springfield, Illinois, has been appointed to deliver a course of lectures during the winter of 1893-94, on the Stone foundation, the subject of which will be Sociology from the Christian Point of View. Mr. Wines is an alumnus of this seminary, from which he was graduated in 1865, after having served as chaplain in the regular army for more than two years, during the war of the rebellion. Since 1869 he has been the Secretary of the Illinois State Board of Public Charities. He is also the expert special agent of the Census Office on crime, pauperism and benevolence. He held a similar position in the census of 1880. He has been President of the National Conference of Charities and Correction, and Secretary of the National Prison Association. He was also a delegate to the International Prison Congress at Stockholm, in 1878. In addition to a series of biennial official reports, numbering eleven volumes, he is the author of many pamphlets and has made many public addresses on crime, insanity, charity organization, and the like. Mr. Wines is the oldest living son of Rev. E. C. Wines, D. D., and was born in the city of Philadelphia, April 9, 1838. He played an important rôle in the founda-

tion of the Kankakee Hospital for the Insane, the building of which marks an era in the history of the care of lunatics, not only in America, but to some extent throughout the world, on account of the pronounced departure from existing precedents in its construction and organization. From March, 1886, to October, 1888, he edited the *International Record of Charities and Correction*, published by G. P. Putnam's Sons, which was, however, discontinued for want of adequate financial support.

**University of Pennsylvania.**—Francis Newton Thorpe, who was appointed last April to the newly created chair of American Constitutional History, in the School of American History and Institutions, University of Pennsylvania, was born in 1857, and is a native of Swampscott, Massachusetts. After his graduation from the Lake Shore Seminary, in 1875, he began teaching in the Pleasantville, Pennsylvania High School, and then for six years had charge of the public schools of North-East, Penna. He received the degree of M. A. from Wesleyan University in 1882, and that of Ph.D. from Syracuse, in 1883, the subject of his doctor's thesis being "The Federal Principle." He was admitted to the bar, Erie, Pa., 1885; appointed Fellow in History and Political Science in the University of Pennsylvania, 1885; elected Professor of History and Social Science in the Central Manual Training School, 1886; appointed Lecturer in American History in the University of Pennsylvania, 1888-91; and admitted to practice in the Supreme Court of Pennsylvania, 1889. To Dr. Thorpe the creation of the recently founded School of American History and Institutions is largely due. By his earnest effort, this school, the first of its kind in educational history, has obtained a magnificent library of more than fifteen thousand volumes, consisting mainly of rare and valuable national documents, collections of statute and session laws; the John A. Jameson Library of Constitutional Conventions; Canada sessional papers; and

MSS. Dr. Thorpe has devoted much attention to University Extension work. He has published :

- In Justice to the Nation. *Education*. July and August, 1886.
- A Few Words About the Books (American History). *Ibid.* May, 1887.
- Teaching American History. *Ibid.* June, 1887.
- The Origin of the Constitution. *Magazine of American History*. August, 1887.
- What is the State? *Education*. March, 1888.
- The Chautauqua Country in History. *The Chautauquan*. July, 1888, and July, 1889.
- Manual Training as a Factor in Modern Education. *Century*. October, 1889.
- Civil Government in the Schools. *Education*. November, 1889.
- The Government of the People of the United States. 1889. Sixth Edition, 1892.
- John Alexander Jameson, LL.D. A Memoir. Supplement to the ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, January, 1891.
- The Story of the Constitution of the United States. 1891.
- Recent Constitution-Making in the United States. North Dakota, Montana, South Dakota, Washington. ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE. September, 1891.
- University Extension Syllabi of Lectures on American History and Government :—
  - I. Europe Finds America. 1492-1606.
  - III. The Constitution of the United States. 1787-1789.
  - IX. The Civil Development of the United States. 1606-1892.
  - X. Epochs in American History. 1620-1892.
  - XII. The Administration of Government in the United States, 1776-1892.

Dr. Thorpe possesses a valuable library, especially rich in the debates, journals and proceedings of Constitutional Conventions. Dr. Thorpe's treatise upon the "Government of the People of the United States," is used in one hundred and thirty cities and towns in the United States and in some three thousand schools.

University of Wisconsin.—With the opening of the Academic year, 1892-93, a school of economics, history and

public law will be formed at the University of Wisconsin. Dr. Richard T. Ely, of Johns Hopkins, has been elected Director of the School, and Professor of Political Economy. He has resigned his present post, to take effect June 1.

Richard T. Ely was born in 1854, at Ripley, Chautauqua County, New York, and he received his early education at the public schools of the county. His college course was begun at Dartmouth, but after completing the freshman year there, he entered Columbia where he graduated in 1876. He then spent three years at German universities, and took, in 1879, his doctor degree at Heidelberg *summa cum laude*. On his return to America he was an active contributor to the periodical press, delivered courses of lectures at Cornell, Johns Hopkins, and other institutions, and was soon called as Associate Professor of Political Economy at Johns Hopkins. His occupancy of this chair has been in many respects a most remarkable one. Gifted with indomitable energy and with intense sympathy for the social movements of the present, he has gathered about him a large number of men who have since become teachers of economics throughout the country. To this fact and to his numberless contributions to periodical literature is due in large measure the increased interest in economic studies in our American academic institutions in the past fifteen years. Professor Ely served as member of the Baltimore City Tax Commission in 1885-6, and of the Maryland Tax Commission from 1886 to 1888. He was one of the founders, in 1885, of the American Economic Association, and has been its efficient secretary since its foundation. He has taken an active part in the Chautauqua movement, and has had charge of the work in economics in that body for a number of years. His best known contributions to economic literature are :

French and German Socialism in Modern Times, 1883.

Past and Present of Political Economy, 1884.

Labor Movements in America, 1886.

Taxation in American States and Cities, 1887.

Problems of To-day, 1888.

Social Aspects of Christianity, 1889.

Introduction to Political Economy, 1889.

The last-named work has recently been published in England, with a special introduction by Dr. J. K. Ingram. It has been translated also into Japanese.

#### BELGIUM.

**Liege.**—Émile Louis Victor de Laveleye, whose death took place early in January; was born at Bruges, April 5, 1822. He pursued his early studies first in his native city and then at Paris (*Lycée Stanislas*), graduating in law at Ghent. From 1848 he devoted himself almost exclusively to the study of political science, and was in 1864 appointed to the Chair of Political Economy at the University of Liège, a position which he retained until his death. M. de Laveleye was a prolific writer and a constant contributor to the most noted reviews of France, England and the United States. Many of the books published by him had previously appeared, partially, at least, in the periodicals. He was a director of the *Revue de Belgique*, to which together with the *Revue des deux Mondes*, he contributed many articles.

The following list comprises all his most important writings, and a number of lesser ones which have attracted wide attention :

Histoire de la Langue et de la Littérature provençales. 8vo, 1844.

Histoire des Rois francs. 8vo, 1848.

L'Armée et l'enseignement. 8vo, 1848.

Le Sénat belge. 1851.

De l'Enseignement obligatoire. 12mo, 1859.

La question de l'or en Belgique. 18mo, 1860.

Études historiques et critiques sur le principe et sur les conséquences de la liberté du commerce internationale. 8vo.

Études d'économie rurale—La Lombardie. 12mo, 1863.

Les Nibelungen et les Eddas. 2 vols., 18mo.

Essai sur l'économie rurale de la Belgique. 2d edition, 1863.

Questions contemporaines. 18mo, 1863.

- Études d'économie rurale ; la Néerlande. 18mo. 1864.  
 Le Marché monétaire et ses crises depuis cinquante ans. 8mo, 1865.  
 Rapport sur l'Exposition universelle de Paris. 1868.  
 Études et Essais. 1869.  
 La Lombardie et le Suisse. 1869.  
 La Prusse et l'Autriche depuis Sadowa. 2 vols., 18mo, 1870.  
 Essais sur les formes du gouvernement dans les sociétés modernes. 18mo, 1872.  
 L'instruction du peuple. 1872.  
 Des causes actuelles de guerre en Europe et l'arbitrage. 8vo, 1873.  
 De la propriété et de ses formes primitives, 1874. 4th edition. 1891. English edition, 1878.  
 De l'avenir des peuples catholiques. 8vo, 1875 (21 editions).  
 Le protestantisme et la Catholicisme. 8vo, 1878 (English translation, 1878).  
 Du Respect de la propriété privée en temps de guerre. 8vo, 1878.  
 L'Afrique centrale et la conférence géographique. 12mo, 1878.  
 L'Agriculture belge. 18mo, 1878.  
 Lettres, sur l'Italie. 18mo, 1878-79 ; 1880.  
 Le socialisme contemporain. 1881. (6 editions.) English translation, 1885.  
 La Propriété collective du sol en différens pays. 8vo.  
 Éléments d'économie politique.  
 Nouvelles lettres d'Italie. 8vo, 1884 (English translation, 1886).  
 La péninsule des Balkans. 2 vols., 12mo, 1886 (English translation, 1887).  
 Le Luxe. 1887. (English translation, 1891).  
 Le monnaie et le bimétallisme international. 18mo, 1891.  
 Le gouvernement dans la démocratie. 2 vols., 8vo, 1891.

## ENGLAND.

**University of Oxford.**—Professor Francis Y. Edgeworth who was chosen last year (1891) to fill the Chair of Political Economy left vacant by the death of Professor Thorold Rogers, was born in 1845, at Edgeworthstown, Ireland. He is a graduate of Oxford, which he entered in 1867, after several terms spent at Trinity College, Dublin. At Dublin he had obtained distinction for proficiency in the classics. At Oxford he took a "First Class" at the final examination in *Literas Humaniores*, 1869.

After leaving Oxford, Prof. Edgeworth studied mathematics for some years and published several papers on mathematical subjects, relating principally to the calculus of probabilities, and the abstract theory of statistics. A work entitled "Mathematical Physics," (published in 1881), in which he endeavored to apply the conceptions of mathematics to political economy, received the hearty commendation of two important original investigators in that branch of science, the late Prof. Jevons and Prof. Alfred Marshall. In the capacity of secretary of the committee appointed by the British Association, "for the purpose of investigating the best methods of ascertaining and measuring variations in the value of the monetary standard," Prof. Edgeworth contributed three papers on this subject to the economic section of the British Association (1887, 1888 and 1889), as well as a report on "the statistical data available for determining the amount of the precious metals in use as money."

Prof. Edgeworth is an experienced teacher. He has lectured on Logic and allied subjects for ten years at King's College, London, and from time to time he has given a course of elementary lectures on Political Economy at the Ladies' Department of King's College. In 1888, he was appointed to a Professorship of Political Economy at King's College, a chair which had remained vacant since the resignation of Senior; and in 1890, on the resignation of the late Professor Thorold Rogers, to the Tooke Professorship of Economic Science and Statistics.

Prof. Edgeworth is a member of Baliol College ; M. A. of the University of Oxford ; D. C. L. of the University of Durham ; Fellow of King's College ; Vice-President of the Royal Statistical Society ; Secretary of the British Economic Association, and Editor of its Journal.

Besides the writings mentioned above, Professor Edgeworth has contributed a number of reviews to the *Academy*, *Nature*, and the *Journal of Education* as well as the following papers to foreign economic journals :—

La théorie mathématique de l'offre et de la demande et le coût de production. *Revue d'Économie Politique*, Jan., 1891.

Osservazioni sulla theoria matematica dell'economie politica con riguardo speciale ai principi di economia di Alfredo Marshall. *Giornale degli Economisti*, March, 1891.

#### GERMANY.

**Freiburg. i. Br.**—Dr. Richard Schmidt has been called as ordinary Professor of Civil and Public Law, at the University of Freiburg. Dr. Schmidt was born in 1862; and studied law from 1880–84 at the University of Leipzig, where, in the last-named year he secured the degree of doctor of laws. In October, 1887, he became privat docent at Leipzig, and in the spring of 1890 was elected extraordinary professor.

He has published :

Die Klageordnung. Leipzig, 1888.

Aktenstücke zur Einführung in das Prozessrecht (Civil und Strafprozess). Leipzig. 1890. (Published jointly with Dr. Frederick Stein).

Staatsanwalt und Privatklagen. Leipzig, 1891.

## BOOK REVIEWS.

THE HISTORY OF MUNICIPAL OWNERSHIP OF LAND ON MANHATTAN ISLAND. To the beginning of sales by the Commissioners of the Sinking Fund in 1844. By GEORGE ASHTON BLACK, PH. D. 82 pp. and xvi maps. New York, 1891.

This monograph is the third number of the Studies in History, Economics and Public Law, edited by the University Faculty of Political Science of Columbia College. This series has made a very promising beginning, and is another sign of the surprising activity in the field of political science, developed in the United States.

Dr. Black's treatise deserves credit in many respects. So far as I know, it is the first study of the municipal land question, from an historical point of view. After a thorough examination of the development of actual conditions in New York City, Dr. Black arrives at the important conclusion that private ownership leads to the highest practical utilization of city land, carrying with it the greatest general benefit. "The contention that municipal ownership, and the leasehold system made necessary by it, are relatively unprofitable and unfavorable to improvements, is sustained. Improvements would hardly be undertaken on a shorter lease than twenty-one years, and on its twenty-one year leases, as sold at auction, the city got no fair return on the average selling value of its property for that time. Neither were the structures put up, creditable. Nearly all were but two story and attic brick buildings, the minimum required by the leases."

"In new communities, at least, private ownership, in fee, seems to be required to encourage improvement, and so far as it does encourage it, benefits the community generally." It is certainly noteworthy that the first investigation of the facts in question concludes with an argument against public ownership of city land, favored by many distinguished

economists on theoretical grounds. As it is, the unsettled condition of our city populations, with their fluctuating foreign element, tends to retard improvements and to give our cities the wretched aspect of a half-finished civilization. Beauty in architecture, buildings which indicate the progress of civilization and fill the citizens with a sense of pride in the locality, can only be the outcome of long settled conditions. How would our cities look if these conditions were still more unsettled than they are now, under a system of public ownership of land, leasing it at public auction? Short leases would destroy all interest in improvements and long leases will never bring a fair return for the rapidly increasing value of the land to the city.

There is, however, another reason why special attention ought to be called to this treatise. It is the first scientific contribution towards an economic history of an American Municipality. It not only contains the history of city property, but also the history of the municipal finances and their administration, and of public works. The material for this study was collected under great difficulties from the public documents. The records of the Common Council up to 1830 have never been printed; they form a series of 75 large quarto volumes in manuscript, locked up in iron safes in the City Hall. Years ago two of these volumes disappeared, and only one of them was recovered in a second-hand book store. Another volume was defaced by a person to whose interest it was that certain minutes should be destroyed. It seems due to disgraceful negligence, that these documents, which are the chief source of the administrative history of New York City up to 1830, are left unprinted, thus precluding the possibility of reproducing them in case of destruction. Dr. Black, who carefully examined these 75 manuscript volumes, was obliged for a whole year to work at the library of the City Hall, a by no means agreeable study. For, owing to the fact that the City Hall is much too small for its present purposes, the library is used as a resort and conversation-

room for casual loafers, and a waiting-room for couples to be married. It is also a remarkable fact, that no public library of New York City has a complete collection of the printed public documents. This case is typical, regarding the care taken of public records in our cities, and it is a state of affairs much to be regretted. Without them the administrative and economic history of our municipalities cannot be written and yet such a history is urgently desired by all those who are interested in municipal reform. We need such a history as the basis for a science of municipal government; we need it in order to get an appreciation of the continuity in municipal affairs, without which the same mistakes will be committed over and over again; we need it to sound the depth of our municipal corruption, the cause of which is mainly of an economic nature. It is certainly high time that energetic efforts should be made to make a complete collection of this material and insure its careful preservation.

L. K. STEIN.

*University of Pennsylvania.*

THE POSITIVE THEORY OF CAPITAL. By EUGEN BÖHM-BAWERK. Translated, with a preface and analysis, by WILLIAM SMART, M. A. Pp. 428, London: Macmillan & Co. 1891.

It will be remembered that, in his "Capital and Interest" (reviewed in the *ANNALS* for October, 1890), Prof. Böhm-Bawerk constantly emphasizes the fact that the problem of interest is a problem of surplus value, as distinct from a mere surplus of products resulting from the use of capital. It is, consequently, not to be solved by a consideration of production alone, but is rather a problem of distribution, or, more strictly speaking, a part of the general problem of value—value, according to the Austrian view, depending upon utility and not being conferred by production. From this standpoint he passes in review and finds wanting the various explanations as to the cause of interest which have hitherto been given, most important among them being the

"productivity" theory, the "use" theory, the "abstinence" theory, and the "exploitation" theory. The increased productive power resulting from the use of capital can explain only the production of a surplus of commodities, not the production of surplus value, because, since the value of an instrument is determined by the value of that which it yields (by its utility), why should not the purchase price of capital rise to the value of the products obtainable by its use? To this question, says Böhm-Bawerk, the productivity theory can offer no answer. The use theory is untenable, because the economic content of a commodity is nothing else than the sum of its uses. It is the sum of all these uses which we purchase when we purchase the commodity; if any use, present or future, is reserved by the seller, the purchase price is diminished. There cannot be, then, another separate and additional use which could serve as the basis of interest, which is an additional payment over and above the purchase price. The abstinence theory, although it contains a core of truth, is inadequate as a piece of accurate scientific analysis. It conceives of abstinence as a continuous sacrifice, additional to the sacrifice incurred at the time of the production of the capital commodity, extending through the whole period until recompense is received, whereas, in fact, there is no such continuous sacrifice. The exploitation theory is chargeable with two fundamental errors, in regarding products, economically considered, as the result of labor alone, and in translating the claim that the laborer should receive the full value of the commodity which he produces, into the claim that he should, immediately on the application of his labor, receive, not the present value of the unfinished product, but the full future value of the finished product.

In the Positive Theory of Capital, Böhm-Bawerk sets before us his own explanation in great detail. The volume is divided into seven books, treating respectively of the nature and conception of capital; capital as an instrument of production; value; price, present and future; the source of inter-

est; and the rate of interest. It will be seen that the discussion covers much more than the problem of interest. As, however, the solution of this problem is the purpose of the work, we must, from lack of space, confine ourselves to a consideration of his argument on this point. At the start he points out two conceptions of capital—as a source of income, and as a tool of production or social capital, the latter comprising all those intermediate products which are of use, not for present gratification but for further production. The important point to notice is that the production of capital involves a sacrifice of the present to the future, and that its use implies a roundabout method of production, necessitating a lengthening of the productive process. In his theory of value, our author, as a member of the Austrian School, regards marginal utility as the determining element in value. Bearing in mind these conceptions of capital and value, we come to the consideration of the question immediately in hand. The essence of a loan, according to Böhm-Bawerk, is an exchange of present against future goods, consequently the problem of interest is nothing else than the problem of the relative value (utility) of present and future goods. On examination we find that there are many reasons why present goods have, and probably always must have a higher value or utility than future goods, to the great majority of mankind. One cause for this is difference in provision for the present and future wants, as in cases of present distress, or, as in the case of those who are starting in life and look forward to a more abundant income in the future. True a person may be better provided for in the present than he expects to be in the future, but present goods can be preserved for future use and are in the meantime available to meet any emergency; hence, even in this case they have a slight superiority. A second cause of this superiority of present goods is underestimation of the future, due to lack of power in the imagination and the will, and the uncertainty of life. The third, and most permanent and effective cause of this superiority, is the technical advantage of present goods, re-

sulting from the fact that the possession of present goods enables us to adopt longer and more productive processes, *i. e.*, capitalistic processes of production. Present goods, therefore, place us in a position to obtain a more than equal quantity of future goods, and are, consequently, equivalent to a more than equal quantity of such goods. This technical advantage must endure and be a cause of the superiority of present goods so long as capitalistic processes of production remain profitable and there are those who wish to employ such processes. Interest is nothing else than the *agio* in favor of present goods as against future goods, a result of the higher value (utility) of the former, due to the causes just mentioned. That the difference in value of present and future goods is the cause of interest, is clearly seen in the case of loans. Though less clear, it is none the less true, in the case of interest which forms a part of the profit of the capitalist undertaker, since what he does is to purchase intermediate and unfinished goods, *i. e.*, future goods, and to pay for them in present, and consequently more valuable, goods. The interest which he receives is nothing else than the difference in the value of the future goods which he purchases and the value of these same goods when they have become present goods.

Two questions naturally suggest themselves. First: Is Prof. Böhm-Bawerk's analysis correct? It would seem that in the main the answer must certainly be in the affirmative; but to the second question—in what relation does this new analysis stand to previous theories? the answer is not so clear. Our author, it seems to me, has emphasized the difference between his predecessors and himself more than the facts justify him in doing. He has made a more accurate and thorough analysis, but it is difficult to see how the new theory is, in principle, anything else than a re-statement of the abstinence and productivity theories, with the substitution of the preference for present over future goods for abstinence and the technical superiority of present goods for the productivity of capital.

In so far as the re-statement does differ from the older theories in their best form, it is at least doubtful whether, notwithstanding his clear and careful analysis, Prof. Böhm-Bawerk, by making the problem of interest simply a problem of value and maintaining that the productivity of capital (technical superiority of present goods) can be a cause or condition of interest only as it determines our preference for present goods, has not contributed to confusion rather than to clearness of thought. Certainly, in dealing with interest we are dealing with a surplus of products rather than with a mere surplus of value, and the fundamental condition of natural interest is this surplus of products due to the increased efficiency conferred by capital. The problem of natural interest is, therefore, primarily a problem of production. The reason why the owners, as distinct from the users of capital, are enabled to secure a portion of this surplus for themselves is a question of distribution, and is explained by the preference for present over future goods. To absorb the problem of production in the problem of distribution or value, as Prof. Böhm-Bawerk has done, seems to me an error, an error which springs from the theory of value which the author holds in common with the Austrian school, and from the unguarded use of abstraction to which the school is sometimes liable.

A full review of the work would require an account of the many valuable discussions which it contains on points not bearing directly on the causes of interest but on the problems of distribution, or of general economic theory, as well as on the rate of interest, and the relation of the doctrine here set forth to the socialistic attacks on interest. The discussion of the conception and function of capital is remarkably clear and logical, and perhaps it is not too much to say, not second in importance even to the discussion of interest. As a whole, the work is a splendid piece of economic analysis which not only makes an important positive contribution to the theory of capital interest, but, by its clearness of reasoning and statement, helps us to recast in more accurate form that por-

tion of the truth contributed by earlier thinkers. As in the case of the preceding volume, the translation is excellent, and the value of the work is greatly increased by the full analytical table which precedes it.

HENRY B. GARDNER.

*Brown University.*

THE GENESIS OF THE UNITED STATES.—A narrative of the movement in England, 1605-1616, which resulted in the plantation of North America by Englishmen, disclosing the contest between England and Spain for the possession of the soil now occupied by the United States of America; set forth through a series of historical manuscripts, now first printed, together with a re-issue of rare contemporaneous Tracts, accompanied by bibliographical memoranda, notes, and brief biographies, collected, arranged, and edited by ALEXANDER BROWN, with 100 portraits, maps, and plans. 2 vols. Pp. xxxviii, 1157. Boston: Houghton, Mifflin & Co., 1890.

The above formidable title makes a claim and arouses an expectation which at once attract the interest of every careful student of American history. When we learn further that the work is the result of fourteen years' research, and when we see the minute pains spent upon all the details, when we open the two massive volumes and observe the variety of valuable material, a natural sense of gratitude arises toward the scholar who has completed so vast an undertaking, and placed his results at the service of his countrymen. The expectation is heightened by the author's own summary of his task (p. xiii):

"To make the work as complete a history as is now possible of the movement in England. . . . To give the narrative with the evidence, and the actors therein, with their lives and portraits."

How far does the result sustain the presumption in the author's favor?

In execution the work leaves almost nothing to be desired. More sumptuous volumes have seldom issued from any American press. The beautiful plates and maps make them works of art, albeit their connection with the text is no-

where indicated. The perfection of the letter-press and illustrations is rivalled by the elaborateness of the apparatus. Mr. Brown has known how to furnish those conveniences of table of contents, introduction, and index, which make a work accessible to other scholars. He has throughout given full and generous credit to such work of others as he has used, and will find his reward in the acknowledgments of those who follow in the path he has hewn out. One who has done so much for his readers will pardon the suggestion that he might do a little more. There is nowhere any indication of the originals from which the portraits are drawn; the Roman numerals at the head of the pieces are obtrusive and a little annoying. The numbers of the sections might conveniently be inserted in the running headings. Double dates (O. S. and N. S.) are seldom given, nor is it easy to distinguish between the title of the pieces, the text, and the author's comments. In a few instances, as on pp. 111, 440, 697, he has entirely neglected to state where the original is to be found.

The documents themselves are, of course, much more important than their typographical form. They include seven different sets of matter, besides the author's comments. First are the heretofore unpublished manuscripts, of which the most valuable is the remarkable series of extracts from Spanish official documents. There are about eighty of these pieces, most of them very brief, but all of much interest. Some English contemporary letters and extracts, and some records of the Virginia Company belong in this class. For all of these the thanks of American scholars are due. The second class of documents is made up of reprints of rare contemporary tracts and sermons, many of which have been almost inaccessible. Mr. Brown has also given various papers in full which had been known only through extracts in the works of Neill and others. The other classes of documents are of decidedly less value. They are reprints of papers already to be found in English books of no startling rarity, of similar pieces perfectly accessible in American

publications, and of extracts from biographies, histories, and common narratives. It is evident that this material is of unequal freshness. The author claims (p. xi) to have added three hundred documents to the seventy-one previously known. An analysis of three different parts of the work, each of about one hundred and ten pages, beginning with Documents I, CI, CCCI respectively, makes it possible to compare the mass of these new authorities with the reprinted. Out of about 335 pages, 64, or less than one-fifth, are made up of previously unprinted matter ; 59 pages, or another fifth, are composed of reprints of rare tracts ; of the remaining three-fifths, two parts are made up of reprints of very common documents, and about one part is comment. The work is, therefore, not rich in "historical manuscripts, now first printed." The new documents are most of them short, and not to be compared in importance with those previously known.

This disproportion suggests a doubt whether the historical preparation of the author is equal to his indefatigable spirit of research. His work has been pursued in the midst of difficulties which would have stopped a less determined writer. He was not able to consult the Spanish Archives. Mr. Curry did that work for him (p. 37), and to Mr. Curry is therefore due much of the credit for the discovery. Mr. Brown does not read old Spanish, and, therefore, Professor De Vere made his translations (p. 43). Mr. Brown could not visit Providence, and Mr. Bartlett made extracts for him (p. 142.) For all this Mr. Brown is not responsible ; but how can a man who does not know Spanish, and must trust to others to make selections in archives and libraries of all countries, be sure that he has reached the bottom of his own material ?

This uncertainty is increased by the frequent want of order and proportion in the author's comments. After the charter of 1609 comes a quotation from Hume in 1754 (p. 64). A memorandum of the beginning of the translation of the Bible finds its way between a letter of Gorges and one of

Zuñiga (p. 97). One of the "original manuscripts" has, in relation to Virginia, only the information that King James wanted a "Virginia Squirrill, which they say will fly." In the midst of great learning, the comments are often trivial, and fail to establish a connection between the pieces printed.

The difficulty in using the book arises less out of minor defects than out of the author's deliberately chosen plan. He believes that history can be written by arranging together chronologically a series of comments, of varying importance, each furnished with an explanatory note; and by throwing other information into a biographical dictionary of men connected with the period. His whole book has much the character of the illustrative extracts at the end of Bancroft's History of the Constitution. Does Mr. Brown not see that he has painstakingly gathered materials which he, of all men, ought to be able to expound? He does not fulfil his promise to "enable the reader to see the events, and those engaged pass before his mind's eye." The correlation of events, the passing from one place to another, the influence of persons—Mr. Brown is saturated with all this; but he has so dispersed his energies that no clear notion is given. Compare Mr. Gardiner's picture of the same period in England, and see how he makes home and foreign policy play together. Even in Mr. Brown's favorite thesis, that Spain was with great difficulty held back from crushing the infant colony, his documents make one think of the conspirators in the *Pirates of Penzance*. "We go, we go," they sang; and so Zuñiga was alway urging, and the King of Spain was always directing "the necessary measures." "But you don't go," said the General; and Mr. Brown produces no evidence that the Spaniards ever really meant to destroy the colony.

To sum up our estimate of the Genesis of the United States: it is a work of patience and learning, but not of discrimination; it is indispensable to the scholar, but not of great use to the ordinary student; there is much that is new

in it, and more that is old; upon it a history might be based, a history which ought to be written by Mr. Alexander Brown.

ALBERT BUSHNELL HART.

*Harvard University.*

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P. J. PROUDHON, SEINE LEHRE UND SEIN LEBEN. VON DR. KARL DIEHL. Zweite Abtheilung. Pp. 328. Jena, 1890. (Conrad's Sammlung nationalökonomischer und statistischer Abhandlungen.)

Having given, in a previous division of his work, an exposition of Proudhon's theories of property and of value, Dr. Diehl proceeds, in a second part, to expound the other chief economic ideas and social reforms which are connected with the name of this once eminent Frenchman. Were there no other reasons for its existence this study would deserve the gratitude of scholars for a reasonably brief statement of the theories of Proudhon. Very few of this day will care to search for themselves the thirty-seven volumes of his collected works, the fourteen volumes of correspondence, and the numerous files of newspapers which contain the results of his enormous literary activity. It must be admitted that only a small part of this flood of letters, articles, and essays is of permanent value, hence a judicious selection and condensation puts the student of the history of political economy under obligation.

The first part of this second edition of Dr. Diehl's work exhibits the manner in which Proudhon, upon the basis of his ideas of property and value, built up and rounded out his social system. This includes both his theoretical and practical development, which the author divides into three chronological periods, in which the February Revolution stands as a centre. The period previous to 1848 is, for Proudhon, a season of preparation. Having, in 1840, answered the question "What is property?" by asserting that it was theft, he lays down, in 1846, a theory of value, full of contradictions, to be sure, but which in the end makes labor the chief factor. But, notwithstanding the inflammable nature of the two theories thus put in juxtaposi-

tion, the practical plans which Proudhon brings forward for the reform of society and the establishment of order, are by no means drastic. Simply a new system of banking is to be the solution of the whole question.

The period in which he comes forward as a practical experimenter in social affairs is comparatively brief. During the "storm and stress" era Proudhon considered it to be the duty of every citizen to utter his opinions on industrial reform, and thus brought out his plans for a people's bank sooner than he had intended. For about one year one of the most prominent topics of economic and political discussion was this new institution in which credit should take the place of money, the exchange of goods be facilitated, and labor obtain its full reward. Credit, by means of bonds, should be given to all shareholders, the list of whom it was hoped would gradually include all producers. In the end all payments of interest on money would be abolished, because all laborers and capitalists would be members of the company, upholding each other by mutual credit. Once destroy interest and the burden would be rolled off the shoulders of the laboring class, and society would move on in harmony. But we are prevented from seeing the practical results of this plan, because just as it was about to be set in operation the author was sentenced to a term of three years imprisonment for political offences. Fully 12,000 people had subscribed to the shares of the bank when Proudhon was obliged to announce that it would not be opened. The experiment would doubtless have had a similar outcome to that of Owen's bank in England, but Proudhon's plan is removed from the sphere of actual economics. From this time on he is only a theorist of gradually waning influence. One would study his plans and opinions only with an antiquarian interest, were it not for the fact that in the defense of them he conducted a sharp, often bitter, polemic with previous and contemporary socialism, and thereby injected into French thought certain ideas respecting credit and civil equality, which have scarcely yet been shaken off. Dr. Diehl

devotes the larger part of this volume to the explanation, comparison, and criticism of this credit bank, and is in so far justified that others have treated chiefly his theories of property and value, yet the space is considerably out of proportion to the influence which the scheme actually exerted.

Proudhon was himself a system of contradictions, and could not be compared with himself from time to time. He was an anarchist endeavoring to establish a mutualistic society upon the basis of individual freedom. His anarchy, however, unlike that of the modern advanced school, was to be the scientific result, rather than the chaotic beginning, of a revolution. He fought communism bitterly, but his combination of individualism and socialism contained an irreconcilable contradiction. Dr. Diehl devotes a chapter to defining the relations of Proudhon to his predecessors and contemporaries in economic thought. More superficial than many others, he should, however, have the credit of establishing the first socialistic theory in the modern scientific manner, but stands in no sense as a forerunner of Marx and Rodbertus. Their ideas of the functions of the state were widely different. As a sharp critic of the systems of others he served a useful purpose. Dr. Diehl's exposition of these facts will not be read solely for entertainment, as the book shows the marks of condensation and compilation, owing to the vast amount of literature from which he had to draw. By devoting separate chapters to exposition and to criticism he has run the risk of repetition, but the reader in search of facts will be rewarded for his pains.

J. M. VINCENT.

*Geneva.*

PRINCIPLES OF POLITICAL ECONOMY. By CHARLES GIDE, Professor of Political Economy in the University of Montpellier, France. Translated by EDWARD PERCY JACOBSEN [formerly of University College, London]. With an Introduction and Notes by JAMES BONAR, M. A., LL.D. Pp. xv and 581. Boston: D. C. Heath & Co. 1891.

This work has reached its third edition in France, and is now made accessible to English readers. It will be welcome

to all who are weary of the involved vagaries of much recent economic literature. It will be a disappointment to those who look therein for new light on the vexed problems of industrial society. The chief characteristic is the method of treatment. The doctrines are not new.

The style is admirably clear. We expect this from Frenchmen, but Professor Gide is exceptional even among his own countrymen. It should be added that the translation has preserved this admirable feature.

The broad scope that includes in the same connection both principles and application will receive the approval of the general reader. He will find the statement of the principles of monetary circulation applied to monometalism and bimetalism; the theory of trade followed by the question of free trade and protection; and the laws of distribution accompanied by the discussion of socialism, strikes and co-operation.

The author has not felt the necessity of departing widely from the usual analysis, as have so many contemporary economists, notably Professor Marshall. True, Exchange is considered as a part of Production, but even here the departure is in name only. In so far as Exchange is circulation of commodities, it is generally regarded as a purely productive process. The essence of Exchange that sets it off as a separate division is the theory of value, and the distinct character of this subject is recognized by assigning it separate treatment under "Wealth and Value." In distribution there is a more important change. In place of the common classification of sharers as landlords, capitalists, entrepreneurs, and laborers, corresponding to the shares, rent, interest, profits and wages, we have the autonomous producer, the master, the wages-earner, the man who lives on his income, and the indigent. There are objections to this change. It adds difficulty to the comparison with other theories, and it is illogical.

An important feature of the book is the prevalence of the comparative method. The author's views are subordinated

to the exposition of the theories of others. Often the reader will be unable to determine what opinion the writer holds. This speaks well for the fairness with which the various views are presented—a fairness as commendable as it is unusual—but the uncertainty resulting from such treatment has been considered by critics the most vulnerable feature of the work. In justification it is claimed that the truth of many economic questions is not beyond controversy, and, more important still, that the method leads to independent thought. Most readers will agree that the method needs no further justification than the admirable skill with which it is employed.

The attitude towards economic doctrine is marked by a progressive conservatism. Although wealth is considered to be the subject of Political Economy, the conception is not limited to "material wealth," but includes whatever has want-satisfying power. The views on "method" are those of the modern classical school, which, while rejecting the dogmatic attitude of its predecessors, has not so far surrendered to the demand for facts as to forget that after all principles are the ultimate end.

In taking up a new treatise on economics one instinctively turns to "value," "capital" and "distribution." These are to-day the vital questions of economic theory. The conception of value is in keeping with that of wealth. "Value," we are told, "is desirability." The definition is excellent. It well serves the purpose of a brief and not misleading statement of the nature of value. The difficulty encountered by those who accept this theory—and the present author is no exception—is a matter of logic. What, according to this conception, is the cause of value? The power that anything has to satisfy desires. But, do not water, air and similar objects satisfy desires? Professor Gide says, "however useful they may be, they are not desired." The general reader will find it difficult to accept this statement. The student usually finds it unsatisfactory. The proposition that because of abundance, objects that are desirable have no value, offends

the sense of logical consistency. Clearly the theory confuses "what is," with "how much." Let it be affirmed, in testing the definition, that water has value. When it comes to applying the principles determining the amount of value, it will be found, not that water has no value, but that its value is too small to be estimated. For practical purposes, these two statements amount to the same thing; for scientific purposes they are widely different. The recognition of this fact will disarm the opponents of economics of one of their chief arguments against the scientific character of the subject.

Concerning capital, the reader is assured that the idea of "capital is clear enough to us all." There follows an analysis in which distinction is first made between wealth employed for immediate satisfaction and that used to obtain an income. The latter is capital. The criterion, then, of capital is the use that is made of wealth. "An egg is capital when given to a hen to hatch for the production of chickens; it is not so when put into a frying pan to make an omelet." But suppose the omelet increases the effectiveness of a carpenter; what then? Again, capital is "lucrative" or "productive," the former merely brings in an income to its possessor, the latter really serves to produce new wealth. Apply this to a rented dwelling-house. It both is and is not capital. It is not capital, because it is not used to produce more wealth, for example, as a factory. It is capital, because it brings in an income. In the end, we are less convinced of the clearness of our conception of capital than at first.

Under Distribution, an attempt is first made to determine the principle upon which division of product should be based. Four formulæ are examined: (1), an equal share for each man; (2), each man according to his wants; (3), each man according to his capacities; and (4), each man according to his labor. The discussion of these is brief, but comprehensive and logical. The conclusion is reached that, "Measured by the standard of absolute justice," the proposition to give to each man according to his labor "appears to have firm foundations, and to be superior to any of those

previously examined," but it is impracticable. "We can not find any system of distribution which completely satisfies our idea of justice, or those that we can find are not applicable." "There is only one principle which regulates the distribution of wealth in present society; this is private property."

The institution of private property is justified on principles rather legal than philosophical. The nationalization of land is opposed more because of its impracticability than because of its theoretical unsoundness in principle. The evils of private ownership of land, the author holds, may be overcome by proper organization. Among the provisions suggested are the assignment of a maximum and minimum amount that can be owned by any one man; compulsory exchange of small portions under certain conditions, and home-  
stead laws.

The criticism of existing theories of wages is especially satisfactory. Neither standard of living, nor number of laborers, nor productivity of labor alone determines wages in actual society. "The price of manual labor must depend both on its utility and on its rarity."

The treatise reflects the French industrial system. Of the book, Professor J. B. Clark says: "Its progressive spirit will make it everywhere welcome, and its appreciative attitude toward the older schools of thought will, at the same time, make it everywhere useful. . . . Its conspicuous quality is a wisdom that is not often combined with so much of brilliancy." Not the least of its merits is the fact that its very clearness of expression and analysis emphasize the weakness of the logic of certain economic theories.

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STUDIES IN STATISTICS, SOCIAL, POLITICAL, AND MEDICAL. By  
GEORGE BLUNDELL LONGSTAFF. With maps and diagrams.  
Pp. xvi, 455. London: Edward Stanford. 1891.

This volume deserves a more prompt recognition than I  
have been able to give in the ANNALS, and yet excellent

works of the character of the one under consideration are not so numerous that any particular contribution is likely to pass out of notice on account of the appearance of a fresher and more valuable treatise. During the past ten years Dr. Longstaff has been a frequent contributor to the proceedings of the London Statistical Society, and several of the papers presented to that society are included in this volume. This is practically made up of two parts. The first portion treats of the most important changes which have taken place in the population of England, the British colonies, and the United States; while the second is concerned with medical statistics, as indicated by titles of chapters such as: "Geographical distribution of diphtheria;" "Calculation of the probability of the accidental and fatal incidence of phthisis upon husband and wife;" "Hydrophobia statistics."

The first three chapters are of an introductory character, explaining the proper significance of the terms birth, death, and marriage rate. Special reference is made at this point to the common fallacy that a high death-rate is proof of sanitary defects. This elementary introduction is followed by chapters treating, with considerable statistical detail and keen analysis, the growth of population in the countries referred to above. The author is skilful in the manipulation of official returns, so as to get fresh and novel results. Of this nature, for example, is the table, on page 24, showing the daily increase of the people of England and Wales and their ultimate destination, and also the table, on page 41, illustrating the migrations between the several portions of the United Kingdom in decades. The course of migration in particular attracts the author to ingenious combinations, and, by a diagram, the correspondence between the curve of emigration to the United States and the curve of imports and exports of that country is disclosed. "A slight improvement in trade appears to immediately stimulate emigration from this country [Great Britain] to a disproportionate degree."

Dr. Longstaff takes an altogether too gloomy view of the negro question in the United States. He is misled by the percentage increase of the colored population between 1870 and 1880, which appears by the census to be about 35 per cent. At the time, however, the census office questioned the validity of this percentage as a true measure, as it was thought that the census of 1870 under-estimated the colored population. The census of 1890 confirms this conclusion. There is no reason to fear that the colored population is growing at a more rapid rate than the white population.

One of the most interesting and original analyses in the book is that given on page 111, where the author estimates the ultimate elements of the American population. He concludes that about 62 per cent. of the inhabitants of the United States are of Anglo-American stock, about 10 per cent. Irish, 10 per cent. German, 13 per cent. African, and 5 per cent. a mixture of nearly every European race. Furthermore, a large portion of the persons of German, Dutch, or Irish descent have been as completely Americanized as the Huguenots in England have been Anglicized.

Two chapters are devoted to the growth of cities, and of London in particular, and a following one to the food supply of European countries. Among the medical contributions published in this volume, perhaps the one which would attract the most general interest in this country is the essay on statistics of hydrophobia. In the United States it is difficult to get statistics on this subject. A large portion of the community is constantly taught that there is no such disease as hydrophobia, and would, doubtless, be astonished to know of an elaborate study based upon more than a thousand cases. For this study, the figures of forty years, 1849-1888, are available. Of the total number of deaths, about one-fifth were females; and the greatest relative, as well as absolute, mortality occurs between the ages of five and ten years. During the latter half of the period under observation, this disease has been five times as fatal, relatively to the numbers living, as it was during the first half.

The volume is well illustrated and fortified by maps and diagrams—some thirty in number. The paper and type are so attractive that every inducement is offered to give one's self up to the enjoyment of statistical data; and rarely are vital statistics handled so deftly that even the registration report becomes transformed into a living book of interest. This work certainly ought to stimulate Americans to secure a better registration of vital statistics than now exists in a large part of their country. With the exception of four or five New England States, there is no commonwealth which can furnish reliable material for studies such as Dr. Longstaff has based upon the Reports of the Registrar-General. The fact that even four of our states are fairly successful is proof that more can be done.

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AN INTRODUCTION TO THE THEORY OF VALUE ON THE LINES OF Menger, Wieser and Böhm-Bawerk. By WILLIAM SMART, Lecturer on Political Economy in Queen Margaret College, Glasgow. Pp. 83. London: Macmillan & Co., 1891.

Scarcely has the historical school fought its way to prominence and even to dominance, when rumors thicken of a new analytic deductive, or psychological school that threatens to carry everything before it. The way in which, from another direction, the thought that Jevons threw out several years ago has been reached and developed by a brilliant group of Austrian economists, has hitherto been veiled from the ordinary student by the difficulties of a foreign and highly technical language. The little book Prof. Smart has given us is an effort to lift the veil and to communicate to English readers the chief results the new school has reached in their analysis of the value concept.

The veriest fault-finder could find nothing but praise for this work. To most, the matter will prove new, true and important. For the first time, the fundamental doctrines of the new school are placed before us in book form. Though

brief, the exposition is adequate, because of its conciseness. The style has the simplicity and directness we should expect from the author of the "Translator's Preface" in Böhm-Bawerk's *Capital and Interest*. The language reminds one of Ruskin's finished and forcible English.

The book abounds in felicitous phrases and words, well fitted to bring upon the reader at once the full weight of the new ideas. Value is "that which avails" and expresses "the relation of Means to End." Value "emerges," "at some particular limiting point of Utility." The shifting of economic analysis from the objective to the subjective sphere is strikingly revealed when the author says: "The centre of value is within us." Into a chance sentence he puts the essence of Böhm-Bawerk's theory of interest. "The annual outputs (of a mine), are seen in a *perspective of value* diminishing according to remoteness in time." The way in which value is reflected *back* along the series of productive instruments to the initial means could not be more vividly realized than by the phrase "conduction of value." In this work, as in previous works, the author makes free use of the word "good," corresponding to the German *Gut*, as a substitute for "commodity."

Starting with an analysis of value into subjective and objective, the author takes up subjective value, and in three chapters distinguishes it from utility, as species from genus. After identifying value with marginal utility, and applying the principle to the problem of complementary goods, he finds in subjective, exchange value an easy transition to the form of objective value presented in price. Here is given the substance of Böhm-Bawerk's analysis of market price. At this point the Austrian theory meets the opposition of the prevailing "cost-of-production" theory. Accordingly, Menger's doctrine of "production-goods" is introduced, and the transmission of value *backward* along the *anticipated* and *ideal* series, instead of *forward* along the *real* series of production-goods is shown with great clearness. Menger's rigid "ranks" of goods are made fluid and practicable, by

representing them as the "consumption-goods" "*in the making*." The author's conclusion admits that the Law of Cost of Production is a good, working, secondary law, but insists that the Law of Marginal Utility is the universal and fundamental law of value. With the application of this principle to price, the book closes. No attempt is made to apply it to the theory of distribution. That will be done in the forthcoming translation of Professor Wieser's *Natürlicher Werth*.

The book may be heartily commended to all who would acquaint themselves with the nature of the revolution that has taken place in pure economics.

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## NOTES.

AN Association for the Promotion of Profit Sharing has recently been formed in New York city. The U. S. Labor Commissioner, Carroll D. Wright, is president, the two vice-presidents being F. A. Walker, President of the Massachusetts Institute of Technology, and Mr. N. O. Nelson, a prominent manufacturer in St. Louis. The secretary and treasurer is Nicholas P. Gilman, West Newton, Mass., author of the well-known work on *Profit Sharing*. The association brings together men of science and men of business, who desire the extension of profit sharing and kindred systems of uniting the interests of employers and employes. It is their intention to establish a bureau of information for the benefit of firms interested in profit sharing, and by various publications and addresses before commercial and other clubs to promote the discussion and extension of this industrial reform.

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DR. A. G. WARNER'S first report as Superintendent of Charities for the District of Columbia contains an instructive discussion of the principle of public subsidies to private charities. In the District, as in many states, large sums have been voted to the aid of charities under private control. As elsewhere, the amount has grown from year to year; and while about three fourths of the income of the institutions is derived from public funds, the state has no voice in their management. While Dr. Warner does not oppose the principle of subsidies, he protests vigorously against its general application. It would appear from his arguments that there are very few cases in which the subsidies in their present form may safely be applied. If the principle is not to be abandoned, public officials should have control of the ad-

missions to subsidized institutions, and provision should be made for thorough and constant supervision.

A new society for the study of social science and existing social problems, has been established at Ghent, under the name *Société Liberale pour l'Étude des Sciences et des Oeuvres Sociales*. The aim of the association, as officially defined, is to draw up a statement of the economic condition of the city of Ghent, to determine impartially what is simply transitory in the existing conditions and to study the possible reforms. The methods pursued in the attainment of this end are to be personal investigations, the publication of treatises on social questions, the organization of courses of lectures, etc. A number of prominent men, not only from Belgium, but also from France, Holland and Germany, have consented to deliver lectures before the society during the present year.

The first number of a new periodical devoted to Political and Social Science called the *Socialpolitisches Centralblatt* has been published at Berlin. The publication appears weekly in quarto and is edited by Dr. Heinrich Braun. Its aim differs from that of the scientific periodical upon the one hand, which appeals to a limited class of specialists only, and from the more popular forms of periodical literature upon the other, where the discussion of social questions is biased by party predilections. Recognizing the existence of parties as necessary and advantageous the editor aims to bring to expression the views of the sincere and capable leaders of all parties. When an economic problem presents itself for solution the material of every kind necessary for the formation of an independent opinion will be submitted to the reader. Among other matter, the neglected but often worthy work embodied in the debates of the legislative bodies will be utilized. It is proposed to maintain in the weekly publication the high standard of the well known *Archiv für soziale Gesetzgebung und Statistik* which is under the same management.

## MISCELLANY.

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### PROPORTIONAL REPRESENTATION.

An earnest effort to abolish the "gerrymander" will probably lead to the conclusion that the district system must be abandoned. To do this in Congressional elections, it will not be necessary to return to the system of a general state ticket elected by the majority party of each state, which was the custom in the first quarter of the century, and which is still employed in the case of the presidential electors. A modification of that discarded system could be adopted by introducing some simple device of proportional representation.

Proportional representation is not a new thing in politics, although it has heretofore received but limited application. Twenty years ago there was abundant discussion of plans for minority and proportional representation, and out of the discussion in our own country a crude plan of cumulative voting was adopted by some of the municipalities of Pennsylvania, and for the election of members of the lower house of the Illinois legislature. This plan is still in force. It has been recently applied to all private corporations by the new constitutions of Kentucky, North and South Dakota and Montana. The Illinois system for the election of state representatives was submitted to the people by the Constitutional Convention of South Dakota, but was defeated at the polls. In Denmark, another plan of minority representation has been in force since 1856. But the most important application of proportional representation has been made by the Canton of Neuchatel, in Switzerland, and more recently by the Canton of Ticino. Something like the Swiss plan could be profitably adopted in the election of all our representative assemblies and boards.

For Congressional elections, let each state elect its entire quota of representatives on a general ticket. Let each party in the state convention nominate the entire list, or as many candidates as it could probably elect, adding a few names for favorable contingencies. Then, in canvassing the returns, let the representatives be assigned to each party in proportion to the popular vote of the party, giving preference to the candidates according to their standing on the vote.

For example, Ohio, in the elections of 1890, cast 713,152 votes for Congressmen. The number of Congressmen to be elected was twenty-one. This gives a quota of 33,959 votes to each Congressman. The Republicans cast 362,624 votes, which gives them ten representatives and a remainder of 23,034 votes. The Democrats cast 350,528 votes, giving them ten representatives and a remainder of 10,928 votes. The Prohibition vote was 21,891, and the Union Labor vote 3,223. There being twenty-one representatives to elect, and the Republicans having a remainder above their ten quotas larger than the Democratic remainder, and larger than the total Prohibition or Union Labor vote, they get the additional representative. Thus, the Ohio delegation would stand eleven Republicans and ten Democrats. At present, under the gerrymander of 1890, it is seven Republicans and fourteen Democrats.

In the election of state legislatures, the state could be divided into districts, each electing five, seven, or some odd number of representatives, and the electors of each district would vote for the entire list of names on their party ticket, the quotas and proportions being obtained as above. For example, the county of Cuyahoga (including the city of Cleveland) sends repeatedly a solid delegation of six Republicans to the Ohio State Legislature, elected on a general county ticket, and not one Democrat. By the proportional system, there would be three Democrats and three Republicans. The county of Hamilton (including the city of Cincinnati) sends to the Sixty-ninth General Assembly a solid delegation of nine Democrats. The Republicans of that

county are unrepresented. With proportional voting, the delegation would stand five Democrats, four Republicans. Other counties in the state send one representative each. They could be grouped into districts of five, and could then vote on the proportional plan.

In cities, election districts for councils and boards of aldermen could be constructed on a similar basis. Where there are two branches of the city legislature, the smaller branch could be chosen on a general ticket for the city at large by the proportional system, and the more numerous branch by districts of five.

In all elections upon this plan, the different party tickets could be printed on a single ballot, according to the form of the Australian ballot. The order of names on each ticket would be determined by the state convention of each party, and this would indicate the order of preference of the party. Voters would not vote for individuals, but for the ticket. If individual voters took the liberty of changing the order of names, they would lose their vote altogether. This provision is necessary in order to simplify the counting of the ballots. But "bolters" could nominate a new ticket, and at the same time assist in electing the party ticket, simply by placing their first choice at the head of their ticket and following it by names taken from the regular ticket. If they were sufficiently numerous to comply with the law, the privilege could be obtained of having this new ticket printed separately on the Australian ballot. If, now, the voters of this ticket could command a quota of the entire vote, they would elect their first choice, and any remainder above the quota would go to the next name, thus helping to elect one of the regular party nominees. The new system would thus involve no waste of votes.

The plan here outlined is a modification of one devised by Dr. L. B. Tuckerman, of Cleveland, Ohio, who has developed it with special reference to the election of committees by conventions or mass-meetings. In such assemblies the one-man power of the chairman is done away with, and each

party can be fairly represented on committees by its own first choice.

To set forth all the advantages of proportional representation would require an extended study of politics and parties, and a careful weighing of remote causes. For the present, it is possible to point out only a few of the patent benefits it would confer. In the first place, the gerrymander would be absolutely abolished. No other feasible plan can be thought of that will do this. The gerrymander inheres in the district system. So long as it is possible to redistrict a state, it is hopeless to expect that a party in power will refrain from doing so to its own advantage. The changes of population necessitate redistricting at least once in ten years. If legislatures be prohibited from passing such an act within a period less than ten years, the party which happens to be in control of the legislature at the legal time will fasten its own gerrymander on the people for a decade, with no possible chance for redress. It is better to let the two parties play against each other.

Public opinion cannot stop the gerrymander, because public opinion rejoices in this kind of tit-for-tat. The fact that one party has infamously cut up the state is good reason for the other party to retrieve itself when it gets the power. If Congress should take the matter out of the hands of the State Legislature, it would be simply to do its own gerrymandering, while state and municipal gerrymandering would still go on as before. Constitutional restrictions, requiring equal population and contiguous territory, are easily evaded. Notwithstanding such restrictions, the populations of Congressional districts in New York vary from 107,844 to 312,404. In no state is the Constitution on this point observed. And as for contiguity, a glance at the diagram of the Eighth district of North Carolina or the First and Third districts of South Carolina will show on what a slender thread this fiction may be made to hang.

It seems plain that with proportional representation abler men would be attracted into legislative careers. The area

of choice would be enlarged, and the leaders of a party could not be driven from legislative halls where their ability is needed, as was done at the last Congressional election. The feeling of responsibility to the whole people would be increased in the leaders of parties, because they could stand on their record before the state at large, and not be compelled to dicker with petty local magnates. A man is at present elected to Congress, not on account of public service, but according to his ability in turning spoils and appropriations into his district. He does not represent before the country any great policy on which to stand or fall. He must depend on local wire-pulling and the exchange of favors. If he has done some distinguished service for his party, or has reached eminence in politics, the whole strength of the National party of the opposition is thrown into his district, and if possible, he is gerrymandered out of office.

Right here, however, will arise the principal popular objection to this plan, namely, that districts would not be represented. But a slight thought will show that this objection has no force. The gerrymander has taken nearly all the virtue out of a district that it may ever have possessed. There are few Congressional districts that have a unity of any kind, either economical, political, topographical, geographical or historical. The county of Huron, in Ohio, has been in five different combinations during the past twelve years, and now it is in the western part of a district one hundred and twenty miles long and twenty wide; its Congressional representative lives sixty miles away, and had, previous to the last gerrymander, very little knowledge of or interest in the county. In this, and hundreds of other cases, the candidates in some districts at the other end of the state are better known to the voters of the district than are the candidates in their own district. On the other hand, the state is a historical and political unit. Its great men belong to no one district. At present only two of them can go to the United States Senate, and others are shelved as govern-

ors, or are compelled to seek some Presidential appointment. Under proportional representation those who are unavailable for Senators would lead their party delegations in the House.

Arguments for proportional representation have usually been advanced in behalf of minorities. But they are equally valid as a defence of the majority. Under the system of districts and primaries less than ten per cent. of the voters of a party often dictate the policy of the party. Machines and ward bosses are the party rulers, and the majority does not dare to "bolt" at the polls, because the opposite party would then come into power. Proportional representation would permit independent movements within the party without risking the defeat of the entire ticket, simply by allowing the nomination of a new ticket composed partly of independents and partly of the regular ticket. If the independent candidates are elected and there is a surplus of voters above the quota, the surplus goes to the regular ticket. The majority of the party would be benefited as often as the minority. The present system on the face of it means the rule of the minority. The gerrymander overthrows majority rule.

The fact that voters could not vote for individuals, but must cast their ballots for the straight ticket, may seem at first sight a serious objection. But the objection is not valid as against the present system, because even now the voter has no choice except between party tickets, while under the proposed plan independent movements are made possible without risking the complete defeat of the party.

Other objections might be noted. A small third party would be likely often to hold the balance of power. The probability is, however, that there would be no occasion for third parties, because reforms inside the old parties would promptly gain a hearing, and compromises would head off radical "bolts."

The strongest objections are those which come from inertia and the dread of change. Constitutional amendments will be necessary in some cases, though Congress has complete

power in the matter of National representatives. Nevertheless, representative government is not something absolute and fixed in the nature of things. It is the result of circumstances and experiments without any great amount of political analysis or design. It grew out of the primitive mass-meeting, or folk-moot, simply because distant electors could not conveniently come up to the annual meetings. In the folk-moot the minority was, of course, fully represented. How they should be represented in the delegate assembly was at first a problem, but its solution was abandoned. The history of Colonial Maryland\* shows, in an interesting way, how this came about. The original deliberative and legislative body was a primary assembly, where any freeman might speak and vote. In the second assembly—1638—voting by proxy was allowed to those freemen who could not be present in person. Abuses of this device led to the issuing of writs to the local divisions, instructing them to return representatives. But realizing that those who did not vote for the successful candidates would be unrepresented, individuals who were in the minority were allowed to appear in their own right. The third assembly was therefore an anomalous body, comprising the governor and his nominees, the duly elected representatives of localities, those individuals who had not consented to the election of representatives, and the proxies of other unrepresented individuals. Such a heterogeneous mass was neither representative nor primary, and was so threatening to the representative element that the hope of minority representation was given up in despair and the assembly defined its own constitution by limiting popular representation to the elected deputies, and ruling out proxies. Doubtless other colonies went through similar experiences.

The system finally adopted is rigid in the extreme. It has endured because there has been no special strain. But the growing intensity of class divisions and the immensity of the interests involved call for a more elastic system. Proportional

\* Doyle, *English Colonies in America*.

representation seems to meet this requirement in every essential particular.

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#### THE STATE AND THE LIGHTING CORPORATIONS.

The business of furnishing illuminating gas is, of necessity, a monopoly. This fact is generally recognized in Europe, but has, as yet, been only partially accepted in this country.

If a person will look at the history of the various attempts to reduce the price of gas by the admission of competing companies, he will be compelled to admit that the effect of these on the price lasts but a short time, while the streets receive new lines of mains, to increase the already great underground confusion, and the capital put into these mains is wasted.

After two or more companies have engaged in a war of rates, with its consequent frequent changes of consumers from one company to the other, one of three things happens: the companies raise the price to a remunerative rate, and agree to make the rate of all the same; or they apportion the territory to be supplied among themselves, agreeing each to remain in its own district; or one buys out the others.

In other words, competition ceases, and we find prices higher, and probably higher than the state of the business should warrant; for the companies, when they agree to cease competition, usually succeed in re-arranging their capital in such a way as to convert into share capital the losses they may have suffered during the rate war.

The price of gas depends, however, quite as much on the amount of capital invested per unit of product as on the cost of production; or, to state it differently, a large part of the cost to the consumer is the interest on the cost of plant.

This being the result of competition, let us see what has been done in other directions toward protecting both consumers and companies. Municipal ownership is the cure

suggested by many, but many also object to so far increasing the power of the municipality as to make it a producer, the grant of that power being a long step towards state socialism. Facts are cited freely for and against municipal ownership from the experience of municipalities in this or other countries, and the deductions from the figures given are largely influenced by the desire of the writer to prove his side of the question.

England has provided for municipal ownership, but has distinctly recognized the principle of non-competition between a municipality and a private company, by providing that, in each case, the local authorities must buy out the existing company, and most of the acts provide that the purchase price shall be fixed by the earning capacity of the plant.

Besides this solution, we find in actual practice two other forms of control—one in England and the other in Massachusetts; and it is the intention of this paper to discuss fully the method employed in the latter State.

Until 1860, England, and especially London, had competition, and London was supplied with gas by thirteen companies. By the Metropolis Gas Act of that year, the principle of non-competition was recognized, and London was divided into nine districts, since reduced by consolidations to three, in each of which one company was to supply gas. The next step was taken in the Gas Works Clauses Act of 1871, and was intended to offer an inducement to the stockholders to reduce the price of gas as speedily as possible. This was arranged for by the "sliding scale," which was based on the assumption that it was possible to establish a standard price for gas and a standard rate of dividend. These once fixed, the act provides that, for every penny of reduction or increase in the price of gas, the rate of dividend should be increased or decreased by one-quarter of one per cent., the effect of this being to share between the stockholders and the consumers any changes in the cost of production.

It was found in practice, however, that there was a flaw in this act, inasmuch as no provision was made in regard to capital, with the result that capital was continually issued, and the standard price and the standard rate of dividend were maintained, or in other words, the whole saving by new economies went to the shareholders. This evil was corrected in 1877, by the introduction into the act of the "auction clauses," which provided that new share capital should be sold at public auction, and the whole proceeds, including any premium received, should be applied to the purposes of the company, but none of such proceeds were to be used for the payment of dividends. With this complement, the sliding scale has accomplished its object, and the reduction in the price of gas in England has been very marked.

Massachusetts has had, since 1860, a statute fixing a standard quality of gas, and providing for a State Inspector, who was also to test meters for their correctness, but in 1885, a distinct step forward was made in the direction of the recognition of the monopolistic nature of the gas supply and the propriety of the regulation of that monopoly by the state.

This the legislature of that year provided for in an act, bearing the title, "An act to establish a Board of Gas Commissioners," the principal provisions of which are as follows:

Three commissioners are to be appointed by the Governor, for a term of three years each, who shall have the supervision of all companies engaged in the manufacture and sale of gas, and who shall, whenever they find any company violating the provisions of any law, report the same to the attorney general for such action as he may deem best. Local authorities are forbidden to grant a second franchise to a gas company, without a public hearing and notice, and from the decision of such authorities an appeal may be taken, by any person aggrieved, to the Board, whose decision, after public hearing, shall be final.

In order to protect the consumers against the monopolies

thus created, it is provided that the mayor of a city, or the selectmen of a town, or twenty consumers, may petition the board regarding the quality or price of gas, and, after hearing, the board may order the quality improved or the price reduced. The salaries of the members of the board and its expenses are to be assessed on the several companies in proportion to their gross earnings.

Here, then, was a law designed to protect the companies in their territories, and also to protect the consumers from exorbitant charges on the part of the monopoly thus created. These monopolies were not absolute, for it lay in the power of the commissioners to admit a second company into any city or town, if they should deem it wise.

The law also requires the companies to make a return to the board, annually, in such form as it may prescribe, setting forth the expenses and income, and in general the financial affairs of the company, together with such other information as may be called for.

As soon as the commissioners were appointed they began an inspection of the companies, and soon found that the variations in the forms of book-keeping were such that it would be impossible to make an intelligent comparison of the results obtained by the different companies, unless a uniform system of book-keeping was established, and, accordingly, the legislature of 1886, granted authority to the board to require the companies to keep their books in a form to be prescribed by it. At the same time two new features were introduced into the law: the companies were forbidden to issue bonds to an amount greater than their capital stock, and the board was given authority to compel a company to furnish a supply of gas on such terms as might be reasonable.

At about this time the rapid growth of electric lighting began, and many gas companies petitioned the legislature for such amendments to their charters as would enable them to furnish that kind of light also. The legislature of 1887, instead of granting these various petitions, passed a general

law, granting to the Board of Gas Commissioners authority to allow gas companies to engage in such business.

The introduction of this bill into the legislature was the signal for great activity on the part of the electric light companies, and an attempt was made to defeat it, but, eventually, these companies came to the conclusion that they desired also to be placed under the jurisdiction of the board, and, consequently, a law was passed extending the provisions of the laws of 1885 and 1886 to electric light companies, granting them the same protection extended to gas companies and imposing on them the same duties.

In 1888, the powers of the board were further extended, by allowing it to fix the price of gas, on the petition of the company, and by requiring a report from the companies of all accidents due to gas or electricity furnished by them.

The same year a law was passed, which allowed the board to license gas companies to make and sell water gas. The reason for this was to be found in an amendment of the law relating to the inspection of gas, made in 1880, which fixed the legal limit for carbonic oxide at 10 per cent., a restriction which would allow the manufacture of coal gas, but not of water gas. Beginning with 1883, there had been an attempt made each year in the legislature to repeal this restrictive limit, and, finally, in 1888, an act was passed allowing the commissioners to change that limit, if, in their opinion, the gas could be used with safety.

No legislation concerning the board was enacted in 1889, but when, in 1890, it reported its reluctance to certify that any gas could be used with safety and asked for such a modification of the law as would allow it to grant a certificate, the legislature decided to strike out of the inspection law the provision relating to carbonic oxide, and thus leave the manufacture of water gas open to all without restriction.

In 1891, after much agitation, the legislature passed an elaborate act allowing municipal corporations to engage in the lighting business. This act recognizes the principle of non-competition, by requiring the purchase of existing

plants at an appraised valuation, and goes one step further, by requiring a municipality to purchase both the gas and electric plants wherever both kinds of light are supplied by one private corporation, thus cutting off competition between a municipality and a private company, even when the kind of light supplied is not the same.

The Board of Gas Commissioners, or, as its name now reads, the Board of Gas and Electric Light Commissioners, is recognized by this act, and the municipalities engaged in this business are placed under the same regulations regarding methods of book-keeping and returns to the board as are private corporations, and the same power is given to the board to require the supply of light. The statistics which are obtained from these returns, being collected on exactly the same lines for both private and public works, ought to go far towards settling the vexed question of the comparative economy of the two methods of management.

What use will be made of the powers given to municipalities by this act it is yet too early to predict; several towns, wherein at present no plant exists, have taken steps looking towards the erection of a municipal electric station, but in no town has there been any suggestion of the establishment or purchase of a gas plant. Electric lighting has greater fascination for the average citizen than gas, and the fact that an electric plant can be started at less cost than a gas plant has much to do with this, although it is generally conceded that profits from gas have been greater than from electricity.

This, then, being the history of the legislation of the last six years in relation to lighting corporations, the question arises, In what way has the board exercised its powers? A study of its annual reports to the legislature will show that a careful collection has been made of the statistics of the business under its control, and that a considerable degree of publicity has been given to its details.

Coming now to the different features of the law which required the action of the board, we find that, as yet, it has not passed on the question of granting a second franchise in

any place for an illuminating gas company, but that it has, in several instances, refused to allow a second electric light company to enter a field already occupied, and it has laid down the rule that, where one electric light company can hold the field the consumers can be better supplied, and at a permanently lower price than if two were allowed to sink capital in duplicating the plant, and that if prices are too high it is comparatively easy to have them revised.

Upon this last point the board has twice passed—one petition having been received in 1887 from one of the largest cities in the state, and another from a somewhat smaller city was acted on in 1890. Both were heard at great length, and in both cases it was found advisable to recommend a reduction in the price charged—in the first case from \$1.80 to \$1.50 a thousand feet; and in the other, from \$2.00 to \$1.80 for small consumers, and from \$1.90 to \$1.75 for large consumers. The recommendations of the board having been accepted by the companies, it was not necessary for it to use the power to order given it by statute.

No formal orders compelling supply have been issued in the case of gas, but in several cases the board has been able to obtain for the applicant the desired service without formal action. Two cases have been formally acted on where the board was asked to require the supply of electricity to buildings having isolated electric plants, but where the owner did not desire to run the plants in the evening; and in both these cases the supply was ordered. The company has taken the matter into the courts, which have, as yet, taken no action.

The authorization of gas companies to supply electric light has furnished many cases, and has led to the establishment of various precedents. In general, it may be said that such authority has never been granted to a gas company in a locality in which an electric light company existed without the board first being satisfied that a valid contract had been made between the two companies by which the gas company agreed to purchase the electric plant.

In one case, decided in 1890, in a city of considerable size, where the gas company desired to buy out the electric light company, the latter being willing to sell, the board found, on investigation, that both companies were earning a fair rate of interest on the capital invested, and were, therefore, not being injured, and that the people were benefited by the competition between the two kinds of light; it therefore refused to grant the authority desired.

The cases cited show the kind of work the board has done, and the principles on which they were decided.

Since jurisdiction over the electric light companies was given the board, it stands in the relationship of guardian to three distinct interests, namely: the consumers, the gas companies, and the electric light companies; and has for its object the protection of the interests of each.

The capital of the companies is entitled to a fair rate of interest, if that capital is actual and not fictitious; and at the same time the people, who granted the use of the streets for the purpose of carrying on the business, are entitled to the best possible service at the lowest possible price consistent with a fair return on the actual capital employed.

To sum up the Massachusetts method of regulating these lighting companies, we may say that the legislature has delegated its powers in these respects to a permanent body, which can go more thoroughly into the details of these matters than a legislative committee, and can also exercise a quasi-judicial function in determining the law and right of many of the matters brought before it.

Between unrestricted competition, with its waste of capital, and municipal ownership, with its socialistic aspects, there seem to be two methods of state regulation; one, the English, which attempts to make the self-interest of the stockholders act to protect the consumer, and the other, that of Massachusetts, which creates a permanent body to adjudicate such differences as may arise between shareholders and consumers. Both recognize the principle of non-competition.

England is now trying to work out the problem of electric

lighting regulation, and finds it difficult of solution. Massachusetts found her law in relation to gas companies such that, when this need arose, nothing more was necessary than to extend the jurisdiction of an existing board over the new field.

That the regulation of these corporations can be more easily and effectually done by a body outside of the local issues, which do not strictly concern the question in hand, is undoubtedly true; and since the corporations are primarily the creatures of the state, not of the local governing bodies, is it not better that the state, rather than the municipality, should undertake the control? If the principle of non-competition obtains, then regulation in the interest of the consumer must follow.

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#### ELECTRIC STREET LIGHTING IN CHICAGO.

In the discussion concerning the comparative merits of public and private systems of street lighting, the employment of the comparative statistical method of investigation is rendered difficult by the fact that many cities are, under unequal conditions, lighted partly by public, partly by private systems, as well as by the fact that most cities use several kinds of light, such as gas, electric, vapor and oil. It will therefore be expedient to examine, instead, some individual representative experiment. The experiment fixed on for this purpose is the municipal electric street lighting of Chicago. This experiment is preferred, first, because, while gas lamps still comprise 60 per cent. of all classes of lamps employed for street lighting, electricity is already the favorite means of illumination in cities of less than 100,000 inhabitants, and is rapidly supplanting other kinds of light in cities whose population exceeds that number; secondly, because the administration of municipal affairs in Chicago, perhaps more than in any other city of

the first class, is conducted on business principles, being comparatively free from the influence of federal politics.

The first attempt to establish a municipal electric lighting plant in Chicago was made about twelve years ago, when Mr. John P. Barrett, superintendent of the city telegraph, procured a small dynamo and connected it with an engine in the North Side Water Works, two arc lights being placed on the cupola of the tower. The enterprise met with opposition, however, and the city council directed the dynamo to be sold and the lights to be taken down, which was accordingly done.

The next attempt was made in 1887. In this year a small appropriation was granted for the purpose of lighting up the river front. A small outfit was purchased and operations begun in an abandoned fire engine house. A limited number of lamps was erected, commanding not only the river, but also bridges and viaducts. The effect upon the dark narrow stream, dangerous alike to passing vessels and belated pedestrians along the wharves, was so marked that a larger appropriation was voted, with which to illuminate some of the principal down-town streets. The superiority of electric lights was quickly appreciated by the people, and the councilmen from outlying wards, importuned by the popular demand, asked for the extension of the system. The result was that a resolution was passed to extend it to the whole city.

The plan of the system is as follows: The old city, comprising about 44 square miles, is divided into 12 electric light districts. Each district is to have a power station located as near the centre as possible. From each power station a main subway is built extending across the district from boundary to boundary, and decreasing in duct space from the power station toward the boundaries. Main feeders are run out at right angles to the line of the subway; from the feeders, connections are made with the lamps. On all streets where fire or police boxes, engine houses, or police stations are located, enough duct space is provided to accommodate the under-

ground wires of these departments. Main subways are built of multibular blocks of bituminous concrete laid in the street, and imbedded in three inches of concrete, or simply placed on a foundation of the same material, composed of Portland cement, sand, and lime-stone screenings, and are reached by large octagonal or round manholes; or they are built of cement-lined wrought iron pipes, laid in the streets and imbedded in concrete, composed of Portland cement, sand, and granite screenings. The feeders throughout are two-inch iron and steel pipe laid under the sidewalks, inside the curb wall, or in the street. Where laid in the street, small manholes and hand-holes are used.

The manholes are built of brick, and placed from 235 to 450 feet apart. They average about forty-six inches in length by forty in width, and range from four and a half to nine feet in depth. They are furnished with double iron covers, one of which is set below the grade and made watertight by packing; the other, on a level with the street. All the iron pipe is plugged to remove surrs, and reamed at the ends. The conduits and pipes are laid with a pitch of from six inches to one foot, draining into the manholes, thus disposing of all drip from condensed moisture. The conduits are practically gas and watertight. The insulation resistance of the electric light cables is 500 megohms per mile. The electric light circuit has a voltage of from 2500 to 3000 volts and a current of from nine to eighteen amperes, or a voltage of from 900 to 1200 volts and a current of from eighteen to twenty amperes.

The electric light post has been designed by Mr. Barrett, and possesses some peculiar advantages. It consists of a hollow iron base extending from the sidewalk to a height of seven feet; through this hollow iron base a hollow wooden pole extends to a height of nine feet above the iron base, being securely fastened to the top and bottom of the same. There are two doors on opposite sides of the iron base, at a height of five feet from the sidewalk. Near the bottom of the base is a removable panel. A frame and hood extending

from the top of the pole have but one standard or support. Inside one of the doors is placed a wooden box containing a double pole arc-light switch ; inside the other is a receptacle for a fire alarm box. The panel can be removed to facilitate the handling of cables.

This electric light post offers increased safety to human life, as, in case of accident to the lamp, the workman can disconnect it from the rest of the circuit by "throwing" the switch, without a possibility of contact with the conductor. The wooden pole is also a semi-insulator, and is safer to work from than an iron pole, should it be necessary to regulate the lamp while burning. Furthermore the hollow space between the iron and wooden poles not only affords a receptacle for the electric light switch and fire alarm box, but, if it should be desired to furnish incandescent light, there will also be room for a converter by which a high tension current can be changed to a low tension current. The single standard or support throws off only one shadow, and that can be directed against the part of the nearest building where it will be least objectionable.

The whole system, when completed, will contain 7350 lights. According to the latest published report of the Commissioner of Public Works, namely, that for 1890, 930 arc lights of 2000 candle power have been placed in position, leaving a balance to be provided of 6420. Of these 930 electric arc lights, 900 displace 3621 gas lights. According to the same report, the system has been partly perfected in four districts. The work is being rapidly pushed, \$556,000.00 having already been expended in the organization and maintenance of the electric light service ; and the whole system will probably be completed in time for the World's Fair. No district has, as yet, received its full quota of lamps.

In lighting only a portion of a district, the proportionate cost per lamp will, of course, be much greater than if the whole district could be lighted at once, as the land, buildings, and subways must be provided for the entire district,

while only a portion of them is used. However, the present average annual cost of one 2000 C. P. arc light is \$83.00—according to later statistics, in Census Bulletin No. 100, \$68.00. The estimated average annual cost of the same light when the system shall be completed is about \$50.00.

While, under the present unfavorable conditions, the cost of the electric lights is a trifle greater than the cost of the gas lights displaced by them, nevertheless, when the comparison is made in candle power, an enormous difference in favor of the electric lights becomes apparent, as the following table shows:—

Cost of 900 2000-C.P. arc lights, \$83.00, . . . . .	\$74,700 00
" " 3621 20-C.P. gas lights, \$20.00, . . . . .	\$72,400 00
Total candle power of 900 2000 C.P. arc lights, . . . . .	1,800,000
" " " of 3621 gas lights, 20-C.P., . . . . .	72,420
Cost per candle power for arc lights, . . . . .	\$0 04
" " " " " gas lights, . . . . .	\$1 00

An interesting comparison might be instituted between the cost per lamp of electric light in Chicago and that of other cities, but this would, in all fairness, involve a detailed technical description of the several systems. Besides, an interesting statistical comparison, by Victor Rosewater, between public and private electric lighting systems may be found in the *Independent* for March 20, 1890. It may not be out of place, however, to state the bare fact that, according to the eleventh census, Denver is lighted at an average annual cost per electric light of \$58.46, while San Francisco pays \$440.67 and Boston \$237.25 per light.

From the figures given above, it is evident that a saving will accrue to Chicago by the adoption of her electric lighting system. She will be better lighted and her actual expenses lessened. While she has been paying \$600,000 annually to private gas companies for lighting her streets, she will in the future be able to light the same territory for a third of that sum.

Taking it for granted that public lighting is cheaper than private, for no private corporation will be found to undertake

the enterprise without profit, two points remain to be considered. It has been objected that municipal ownership of electric lighting systems breeds corruption and encourages inefficiency. Both of these objections may, in view of the results of the experiment in Chicago, be dismissed with a single sentence. The electric lighting service of Chicago, so far as established, is claimed by experts to be perhaps the best in existence, while not the slightest suspicion has ever attached to the honesty of its administration.

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